

# ***Buying Smarter in Tougher Times***

## Conclusions and Recommendations of the EIB Procurement Taskforce

February 2011

This report has been produced for the Efficiency and Innovation Board via the Procurement and Commissioning (Work-stream). It examines opportunities for procurement to deliver efficiencies and support economic regeneration. As such it contributes to both the 'Efficiency and Innovation' programme and 'Economic Renewal – a new direction'. This is one of seven work-streams and is chaired by Mohammed Mehmet CEO Denbighshire Council. The report has been produced for consideration by the wider Welsh public sector.

## Executive Summary

### 1.0 Introduction

- 1.1 The Welsh public sector spends over £4.3 billion each year, or around one third of its budget, on external goods, works and services. How we carry out this procurement, has a major impact on the value we gain from the expenditure and our ability to secure wider social, economic and environmental benefit for Wales.
- 1.2 This report has been produced by a Taskforce set up through the Efficiency and Innovation Board's procurement work-stream to review Welsh public procurement and make recommendations for improvement. It was asked to examine "capability" (the skills, systems, infrastructure, processes, - i.e. how procurement is carried out) and "categories" of expenditure – examining current strategies and opportunities in main areas of Welsh public sector expenditure.
- 1.3 Evidence has been drawn from the capital and revenue procurement of the Local Authority sector, the NHS and Assembly Government which accounts for 80% of the total spend. Procurement activity in the Education sector has been separated while the 'Front Line Service' review was initiated. However, many of the recommendations will be relevant for consideration by this sector and others.
- 1.4 Since the 'Better Value Wales Review' of procurement in 2000 there have been major improvements. There has been a marked growth in the profile of the profession; most Local Authorities now have a strategic procurement function; there is a national sourcing strategy and collaborative procurement across and within sectors is widespread – over 70% of Local Authorities and Local Health Boards use all major all-Wales agreements; investment is being made in e-procurement and the national website thrives; processes are more open to smaller and more local suppliers; and there are many excellent examples where community benefits have been achieved in terms of local supply chains, training, and helping disadvantaged groups.
- 1.5 However, Welsh public sector procurement is not exemplary. There are opportunities to deliver significant efficiencies in major areas of expenditure but there are limitations in the public sector's current capability to deliver.

### 2.0 Capability

- 2.1 The capability self-assessment exercise conducted in July clearly shows disparity between organisations and highlights particular weaknesses in drafting specifications and managing contracts. Skills are varied and the adoption of e-tools and the xchangewales e-trading hub has been slow. Although the NHS, the Assembly Government and

around a two thirds of Local Authorities have invested in Procure to Pay (P2P) systems, those who have not, fail to readily produce the management information that is the pre-requisite for effectively managing procurement expenditure. This weakens collaborative agreements and allows maverick spend to take place, meaning that we are not fully leveraging the market.

- 2.2 Local Authorities who have not invested in the use of technology have failed to benefit from automation. Manual procurement processes (tendering, requisitions, purchase orders, invoices) cost money and take staff time away from front-line services. Organisations that have invested in technology as exemplified by best practice are better equipped for standardisation, collaboration and access intelligent management information. They also operate leaner and smarter procurement activity.
- 2.3 Inconsistent approaches to procurement in Wales have created different processes which has generated waste in the system. There are still many examples of suppliers producing bids or responding to pre-qualification questionnaires that extend to thirty pages or more. It is estimated that it costs business at least £20m<sup>1</sup> per year just to pre-qualify to tenders and some processes act as a barrier to smaller suppliers. Maintaining separate documents, policies and procedures across organisations is not time well spent and does not help the supply base. Adopting one risk based approach, maximising use of common questions and electronic links will reduce cost for both buyers and suppliers. The recent Supplier Qualification Information Database (SQulD) development on pre-qualification is promising, but there also needs to be a standard approach across all aspects of procurement and standard documentation used. Not all opportunities are advertised as fully and extensively as they could be. During the engagement process for 'Economic Renewal: A New Direction', businesses raised several issues in regard to procurement. These included; the need to simplify procurement processes, which are seen as being overly bureaucratic and complex; recognising a need to create more opportunities for Small Medium Enterprises (SMEs), and a perceived reluctance to split contracts into smaller bundles which an SME could have a realistic chance of winning.
- 2.4 These issues are more significant to smaller suppliers who cannot so easily afford the time to complete excessive tender requirements and is important because the SMEs provide over 40% of private sector employment in Wales. However, this is no different to the rest of the UK. In Wales 40% of private sector employment is accounted for by large enterprises (those with 250 or more employees), which compares to the 42 per cent figure for the UK as a whole.

<sup>1</sup> Source: 'Value Wales' PQQ calculator – 2010 and ongoing. Approximately 45 suppliers have contributed to this figure, from all sectors. More data is needed to increase confidence in this figure.

- 2.5 Current analysis shows that 50% of total spend across the Public Sector is with suppliers based in Wales. The number and proportion of SMEs and Wales based suppliers winning work worth between £1m-£5m, £5m-£10m and £10m plus have been analysed. For spend below £10m per year there is no evidence that SMEs are failing to secure contracts. In fact 58% of suppliers winning work worth £5-10m per year were SMEs. Conversely only 18.5% of suppliers winning work worth over £10m per year were SMEs. This latter group was largely made up of construction suppliers where few of the larger suppliers are based in Wales.

### 3.0 Economic and Social Issues

- 3.1 With some notable exceptions, the Welsh public sector does not engage particularly well with the supply base. There is no central strategic supplier relationship management to optimise innovation and reduce cost. Often fear of EU regulations prevents a sensible dialogue taking place. While care must be taken to avoid direct involvement of individual suppliers in shaping specifications open early dialogue can identify areas for improvement.
- 3.2 This is exemplified when considering engagement with the 'third' sector (social enterprises, charities and the voluntary sector) who are an important part of the economy and may provide opportunities to re-think how public services are shaped, delivered and procured.
- 3.3 It is important that we balance the pursuit of efficiencies with the maintenance of a sensible cost/quality approach and continue to recognise opportunities to secure wider benefits. We know that the reduction in public spending will impact our supply base. Our suppliers must play their part in driving down cost, but at the same time we must ensure we support economic growth and foster strong and competitive Welsh supply chains in both the private and third sector. We have evidence that where procurement has focused on delivering local benefits 30% more of the capital expenditure has been re-invested in local employment.
- 3.4 There has been progress and the significance of public procurement has been recognised in the policy 'Economic Renewal – a new direction'. Wales based suppliers are now winning over 50% of expenditure. However, supply voids remain. These are areas of demand which are fulfilled entirely by suppliers based outside Wales, or where there is no Welsh supply to meet the demand. Alignment of central and local economic development activity with public sector expenditure is patchy. In some cases, bureaucratic or risk adverse processes act as barriers to Welsh suppliers; in others Welsh suppliers simply fail to compete effectively. Despite supplier training programmes run through the Department of Economy and Transport, many suppliers still fail to tender effectively. In individual tenders there

will always be more losers than winners but currently an overall sense of frustration exists on both sides, exacerbated by a lack of data.

- 3.5 In tackling these issues there remains a shortage of qualified and experienced procurement professionals in Wales. The 'Home-grown Talent' project supported by European Social Fund will go some way to address future needs but this issue remains a barrier to change and makes collaboration and access to skills and advice even more critical.

## 4.0 Collaboration

- 4.1 In terms of collaboration, the National sourcing strategy has reduced duplication between buying consortia. Agreements led by Value Wales are not usually replicated within the sector arrangements, and the majority of organisations support the overall direction. However, our total spend remains too fragmented and whilst pockets of excellence exist within some sectors, as a whole we have too many organisations buying similar items without joining up. For example, some Registered Social Landlords and Local Authorities in Wales are paying 10% more for the same housing refurbishment products across Wales.
- 4.2 Where we do collaborate, our behaviour sometimes undermines the benefits, as there is reluctance to compromise on specifications and commission in a different way, which reinforces the existing culture. Agreements are shaped to fit all, standardisation and supplier rationalisation are very limited. For example, taking the simplest thing that we buy, we still have an 800 line core list for the all Wales Stationery framework as participating organisations still want to buy the products they always have rather agreeing to have, for example, one black pen for Wales.
- 4.3 Reducing clinical choice in the NHS, in order to standardise specifications across Wales has generated significant savings. For example mandating the standardisation across nursing uniforms has generated savings of £500K, which demonstrates that if a stronger "mandatory" regime is adopted, these savings could be replicated in other areas.
- 4.4 Our large spend areas include Construction, Housing, Roads, Waste, Social Care, Transport, Information and Communications Technology (ICT) and Consultancy. The Report identifies opportunities in all these areas to release efficiencies and improve outcomes, through leveraging our scale, through demand management, through process improvement and improved dialogue with Welsh supply chains. Savings of circa £200M are possible but will only be achieved if the capability issues are addressed and if the public sector shows true leadership.

## 5.0 Leadership

- 5.1 The significant question is why change has not already occurred. Often procurement officers lack the influence, confidence, or position to challenge and drive change.
- 5.2 Changing what is bought and how contracts are managed cannot happen without Service Heads and budget holders' agreement. However, there is still reluctance to compromise on specifications and an unwillingness to allow low risk decisions to be made by others. The variation we allow in common items costs the taxpayer money. This is a leadership issue that has to be tackled at all levels.
- 5.3 Making the decision to adopt change is often painfully slow and the notable exceptions are led from the top. Trusting others and taking a 'leap of faith' instead of waiting for others to trial changes would cut the cost of engagement and speed up the delivery of savings. Decisions which are important for local democracy need to be distinguished from those which do not impact local tax-payers and service users. These latter decisions need to be taken in the context of the wider public sector. Success will be underpinned by a willingness to challenge and be open to challenge and to embrace radical change.

## 6.0 Conclusion

- 6.1 Reduced public spending, an ageing population, rising public expectations and other social changes are all intensifying the demand for services. In this context, doing nothing is not an option.
- 6.2 In order to deliver the opportunities we need to "transform public procurement in Wales to world class collaboration, leading changes which improve public services and drive economic renewal. Through practical leadership, harness professional skills and technology to make a lasting and substantial step change in Welsh public sector procurement".<sup>2</sup>
- 6.3 Achievement of this vision would mean that the Welsh public sector will:
- realise optimum savings,
  - drive efficient standard processes,
  - remove duplication and wasteful practices,
  - support innovative and intelligent commissioning,
  - encourage a strong and vibrant supply base in Wales, and
  - achieve long term benefit for the citizens of Wales.
- 6.4 It is critical that **Leadership and commitment** comes from the top to require change to be adopted – we need a strategic re-organisation to

<sup>2</sup> Source: EIB Procurement Vision – Summer 2010

our capability and support from all Chief Executive Officers (CEOs) to make standardisation of product/service and process happen. Changes in behaviour at all levels, will only come from real leadership to address barriers and issues and ensure decisions are made for the greater good of Wales.

- 6.5 We need to **Organise our spend** – so we go to market effectively and secure value from even stronger collaboration.
- 6.6 We should **Invest in the capability** to drive commercial value – a capability self assessment has highlighted that contract management and the development of specifications require improvement.
- 6.7 We need to **rely on technology** to reduce transaction processing costs by automating manual processes, increase commitment and contract usage to improve prices at point of purchase and then use management information to identify further opportunities for price savings and cost reductions.

## 7.0 Principle Recommendations:

The recommendations to tackle the issues identified are as follows:

### Governance

To develop and strengthen clear governance structures, leadership and change management:

1. Leaders and CEOs should mandate recommendations arising from this review, and in particular champion the appropriate use of standard specifications and collaborative arrangements.
2. It is recommended that the Procurement Board remains, but recognises and works with current governance arrangements within sectors to champion implementation of the recommendations.
3. Effective arrangements should be put in place to monitor performance and report progress on the implementation of the recommendations. It is therefore recommended that WLGA (LAs) and NHS National Delivery Group report progress on a regular basis to the Procurement Board.
4. The Local Authority sector must have reviewed their decision making process and by October 2011 have set up governance arrangements so that decisions can be made on behalf of the entire sector.

## Policy, Process and Technology

To implement standard policy, process and technology approach including the following;

5. The Assembly Government should produce a standard format for common procurement key performance indicators, drawing on best practice by July 2011. Public Sector leaders thereafter should review their performance on at least an annual basis, starting from March 2012.
6. Public sector leaders should invest in developing the capability of the procurement profession to support the future vision of Procurement across the Public Sector. The 'Home-grown Talent' project should support this activity.
7. To improve management information across sectors, it is recommended that there is a move to a standard chart of accounts and standard coding structure with an all Wales reporting capability. It is recommended that the WLGA take this forward with the Welsh Treasurers' Society.
8. Organisations should buy directly from collaborative contracts, via the xchangewales e-trading hub.
9. Building on the *Breaking down Barriers project*, it is recommended that;
  - (a) LAs and NHS move to standard contract documentation and;
  - (b) LAs and NHS should have common standing orders and financial instructions within each sector.
10. Within two years, the flow of information should be transmitted electronically into back office systems, this includes invoices, order and tenders.
11. The work on the single approach to pre-qualification through the Supplier Qualification and Information Database (SQulD) when completed should be mandated.
12. Supplier development activity made available by DE&T and other relevant Assembly Government departments should target resources to provide tailored training and support to the Welsh supply base to reflect and support the resulting public sector procurement workplan.
13. The Assembly Government should require all major<sup>3</sup> contracts and grant funded procurements to deliver a social return on the investment through the adoption of a "Community Benefits"<sup>4</sup> approach.

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<sup>3</sup> Major: Defined as contracts > £2m

14. The Assembly Government should provide a central mechanism to collate best procurement practice and provide organisations with a menu of tried and tested options to deliver local efficiencies and improve outcomes.
15. The Assembly Government should review its processes for issuing grants & capital funding to ensure planned procurement can be undertaken to secure greater value for money.

### **National Procurement Service**

To develop a shared service model for procurement across the Welsh public sector which will address the following:

16. To achieve efficiencies, the public sector needs to identify common and repetitive spend and then buy as one through a shared service.
17. As an indicator between 20-30% of public sector expenditure should be through a shared service. (The areas of spend that should be considered first are Professional Services, ICT, Transport, Building & Engineering Materials, Provisions, Waste, Office Consumables, Street Lighting, Protective Clothing, Cleaning. Further opportunities to be explored include Social and Continuing Care.)
18. The tendering, catalogue and contract management for common and repetitive spend needs to be delegated to one shared service for Wales and all organisations should commit to using these contracts.
19. In the meantime, where existing collaborative contracts are in place, they should be adopted by all, unless a formal exemption is agreed with the contract owner.
20. Establishing a shared service will mean that changes to existing structures will be required and movement of staff may take place. Value Wales should co-ordinate the work to progress this recommendation and develop a detailed proposal.

### **Category Management**

21. A cost reduction programme should be initiated with the top 50 suppliers by contract value to Wales. The process should be coordinated by Value Wales in partnership with sector leads.
22. There should be a planned development of Category procurement expertise for high spend areas which organisations can call upon for advice. As a minimum this should include Construction, Social Care,

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<sup>4</sup> This approach is described in guidance "Community Benefits – Delivering Maximum value for the Welsh Pound" issued by Welsh Assembly Government March 2010.

Consultancy and ICT and should help to inform the delivery and development of national strategies in these areas such as the Digital Strategy for Wales and the work following the White Paper on social care. Value Wales should develop options for how this approach to support Category Management could be delivered in Wales.

23. Finally, it is recommended that the WAO formally review progress of the implementation of the recommendations and report to the EIB Programme in September 2012.

By generating savings through more efficient processes, less duplication and better supplier performance - citizens will gain where savings are re-invested, and where we use our spend to deliver social and economic benefit. It is possible to save circa to £200m over five years if we can truly work as one public sector in Wales.

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## 8.0 Background

### Context

- 8.1 The implications of the UK Government budget deficit reduction plans, including the Autumn Comprehensive Spending Review, particularly for the poorest and most vulnerable in Wales, confirm how important it is to sustain the public services that so many rely on. To achieve this requires ambitious and radical change that will deliver both service improvement and cost reduction.
- 8.2 To instigate an urgent and integrated response to these challenges in Wales, an Efficiency and Innovation Programme has been developed over the last year by public service leaders and social partners. Its aims are to achieve a step change in:
- operational efficiency: through cost reduction, focusing resource on front-line services;
  - innovation and transformation in public service design and delivery: to achieve more preventative, and sustainable services that achieve better social, environmental and economic outcomes for citizens and communities.
- 8.3 An Efficiency and Innovation Board, chaired by the Minister for Business and Budget has been established to drive the Programme forward across public service organisations in Wales. The Board Members include public service leaders and social partners. The Programme builds on the principles first set out in the Assembly Government's public service policy statement 'Making the Connections'<sup>5</sup> and confirmed in the Beecham 'Review of Local Service Delivery'<sup>6</sup>. It continues to place the citizen at the centre of public services, focus on collaboration rather than competition, emphasises the importance of engaging the workforce and citizens, and promotes social justice and equality. It also dovetails with '*Economic Renewal: A New Direction*' the policy through which Assembly Government seeks to regenerate the economy in Wales.
- 8.4 The programme consists of six strands (Procurement, ICT, Asset Management, Workforce, Business Transformation, and New Service Models) supported by an overall enabling approach to Leadership and Communications. The Procurement work-stream is closely inter-linked with the others.
- 8.5 Dr Mohammed Mehmet (CEO Denbighshire Council) Chairs the Procurement workstream, which is led by Alison Standfast (Deputy Director, Value Wales Welsh Assembly Government).

<sup>5</sup> Making the Connections, the Welsh Assembly Government, - October 2004

<sup>6</sup> Beecham Review of local Service Delivery, the Welsh Assembly Government – November 2006

## The Case for Change

- 8.6 With a reduction in public spending, an ageing population as well as other social change, intensifying demand for services and rising public expectations doing nothing is not an option.
- 8.7 Since the Better Value Wales review in 2000, collaboration has grown in Wales. A national sourcing strategy was agreed in 2006, and today over 70% of Local Authorities and Local Health Boards use all major all-Wales frameworks, saving £100m over the last 5 years. Consortia in all sectors have become stronger and there is clear recognition of the need to work together. However, there are more gains to be made. There is still reluctance to compromise on specifications and an unwillingness to allow low risk decisions to be made by others. The variation we allow in common items costs the taxpayer money. This is a leadership issue that has to be tackled at all levels.
- 8.8 Inconsistent approaches to procurement in Wales have led to different processes being used, which has generated waste in the system. Although use of e-procurement tools is reducing workload and paper, there are still many examples of suppliers producing paper bids or responding to pre-qualification questionnaires that extend to thirty pages or more. In Wales we estimate that it costs business at least £20m per year just to pre-qualify to tender. Adopting one risk-based approach, using a standard question set, and allowing suppliers to store their standard answers for future use will reduce cost for both buyers and suppliers.
- 8.9 About a quarter of spend is not well controlled<sup>7</sup>. And whilst NHS Wales has invested in Oracle P2P and now controls 90% of its expenditure, a failure to invest in systems means that a number of Local Authorities face challenges in managing procurement expenditure well, while manual processes take staff time away from front-line services.
- 8.10 Overall, our spend is too fragmented and whilst pockets of excellence exist within some sectors, across sectors we have too many organisations buying similar items without joining up. We use different specifications and end up with slightly different versions of essentially the same things. This means that even when we collaborate, we undermine our potential savings. A more standardised approach to specifications with suppliers will take out costs, especially if a stronger “mandatory” regime is adopted. Reducing clinical choice in the NHS, in order to standardise specifications across Wales has, generated significant savings.
- 8.11 The reduction in public spending will impact on our supplier base and supply chain. Our suppliers must play their part in driving down cost, but at the same time we must ensure we support economic growth and foster strong and competitive Welsh supply chains in both the private and third sectors. Since 2003 direct public sector expenditure with businesses based in Wales has increased from 35% to over 50%, with additional supply chain benefits. Given the emphasis placed in public procurement in the ‘*Economic Renewal – A New Direction*’ policy it is even more important that we align business support with public sector opportunities

<sup>7</sup> Source: SOCITIM report

E&I Procurement Taskforce  
**Category & Capability Review**

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Ymateb i Her Newid

Meeting the  
Challenge of Change

so that our local supply chains in both the private and third sector can competitively meet our needs. The development of procurement capability is needed across Wales to underpin these improvements.

## 9.0 Method and Scope

### Method

9.1 Dr. Mohammed Mehmet CEO Denbighshire Council is the nominated Chair for the Procurement workstream. In early 2010 the Efficiency and Innovation (E&I) Board agreed to three workstream priorities:

1. National Sourcing Strategy – increased uptake through an adopt or justify approach with a target spend for collaboration and greater standardisation
2. xchangewales – accelerating use of ICT as an enabler with increased uptake of a standard finance and e-procurement system.
3. Category and Capability review – wide reaching review of procurement across Wales to identify the resources, skills and behaviours necessary to transform procurement and commissioning within core services including Social Care, Construction, Housing, Waste, Education, Medical and Transport.

9.2 Dr Mohammed Mehmet then set up the Procurement Board and commissioned a Procurement Taskforce (6 month task and finish group) to carry out the Category and Capability Review and generate priority ideas and concepts for the Board to consider. The Procurement taskforce was established consisting of procurement professionals from Health, Local Government and Value Wales, the Assembly Government, representing the largest area of spend.

Current members of the Taskforce are listed below:

- Alison Standfast ,Value Wales
- Kerry Wilson, Value Wales
- Nick Sullivan, (joined December 2010)
- Catherine Weller, (joined October 2010)
- Elizabeth Lucas, Caerphilly County Borough Council
- Rob Jones, Welsh Purchasing Consortium (WPC)
- Mark Roscrow, Welsh Health Supplies
- Larry Petterson, Cardiff and Vale NHS Trust
- With additional input provided by Ian Mowatt – Gwynedd Council

### Scope

9.3 The scope of the review, which is reflected in the membership of the Taskforce, includes Local Authorities, NHS and Assembly Government procurement (CPS) and covers both capital and revenue spend. Education was separated as the Front Line Service review had only just been initiated by the Department for Children Education, Lifelong Learning & Skills (DCELLS).

- 9.4 During the Task and Finish review – a number of procurement and sector experts were invited to contribute to the work of the Taskforce, these included: Andrew Maisey (Head of Procurement - Torfaen CBC); Tracey Burke (Director DE&T); Dawn Brace (Head of Waste Procurement Programme, The Assembly Government); Gareth Morgan (Head of Transport and Strategic Regeneration Programme, The Assembly Government ); Colin Eaketts (Head of Integrated Transport, The Assembly Government ); Nicola Southall (Lead Project Manager, Value Wales); Mark Gwilym (Lead Project Manager, Value Wales); Nick Sullivan (then Head of Construction Policy); Paul Ashley-Jones (Head of Procurement, Pembrokeshire Council); Dr Gwyn Thomas (Chief Information Officer, The Assembly Government).

### Methodology

- 9.5 The taskforce was established in April 2010 and met on a weekly basis. The initial meetings focused on review of spend analysis and an examination of what and how the public sector in Wales procures. The taskforce scrutinised current procurement practices, areas for opportunity and areas of best practice. This was not limited to Wales as the group acknowledged the need to identify what best practice looked like.

Engagement and briefing sessions took place with procurement staff across Wales via:

- the Sourcing Plan Steering Group
- the Policy and Capability group
- a Local Government workshop
- a cross sector Savings Workshop attended by 60 procurement professionals across Wales
- Regional cross sector network events
- and through presentations to the many different sector groups, project meetings and initiatives that operate across Wales.

### Vision

- 9.6 The Taskforce developed the following vision for the future of procurement in Wales which was endorsed by the E&I Procurement Board.

**“We will transform public procurement in Wales to world class collaboration, leading changes which improve public services and drive economic renewal.**

Through practical leadership we will harness professional skills and technology to make a lasting and substantial step change in Welsh public sector procurement”.

Our vision is for a Welsh public sector that spends public money wisely, working in partnership with business for the long term benefit of the citizen.

In delivering our vision we will:

- realise savings,
- drive efficient standard processes,
- remove duplication and wasteful practices,
- support innovative and intelligent commissioning,
- encourage a strong and vibrant supply base in Wales, and
- achieve long term benefit for the citizens of Wales.

### Main Principles

Our strategy to implement our vision has the following key principles:

1. One Sourcing Strategy for Wales
2. One procurement approach, one process, one set of documentation
3. One economic development plan aligned to the public sector spend prospectus
4. ICT as an enabler – standard finance and e-procurement system, one trading hub, – common approach to transactions, coding and reporting
5. Maximising opportunities from common logistics and supply chains
6. Investment in skilled, qualified and experienced procurement workforce
7. Procurement recognised as a strategic function influencing all non-pay spend
8. Innovative and intelligent commissioning, understanding the market and ensuring service specifications meet citizen needs
9. Strategic management of markets and key suppliers

### Strategic Direction

Our strategy is based on the following key expectations:

10. Common and repetitive spend to be carried out by one Public Procurement Service for Wales
11. 100% of common and repetitive spend to be transacted through 'xchangewales' trading hub

12. All organisations to be willing to set and agree standard specifications and sign up to commitment contracts
13. Sector specific service spend to have all-Wales strategies with standard approach (e.g. social care, housing, waste); carried out by regional collaborations led by strategic procurement professionals
14. Each organisation to have a strategic professional procurement function supporting it to deliver the all-Wales strategy

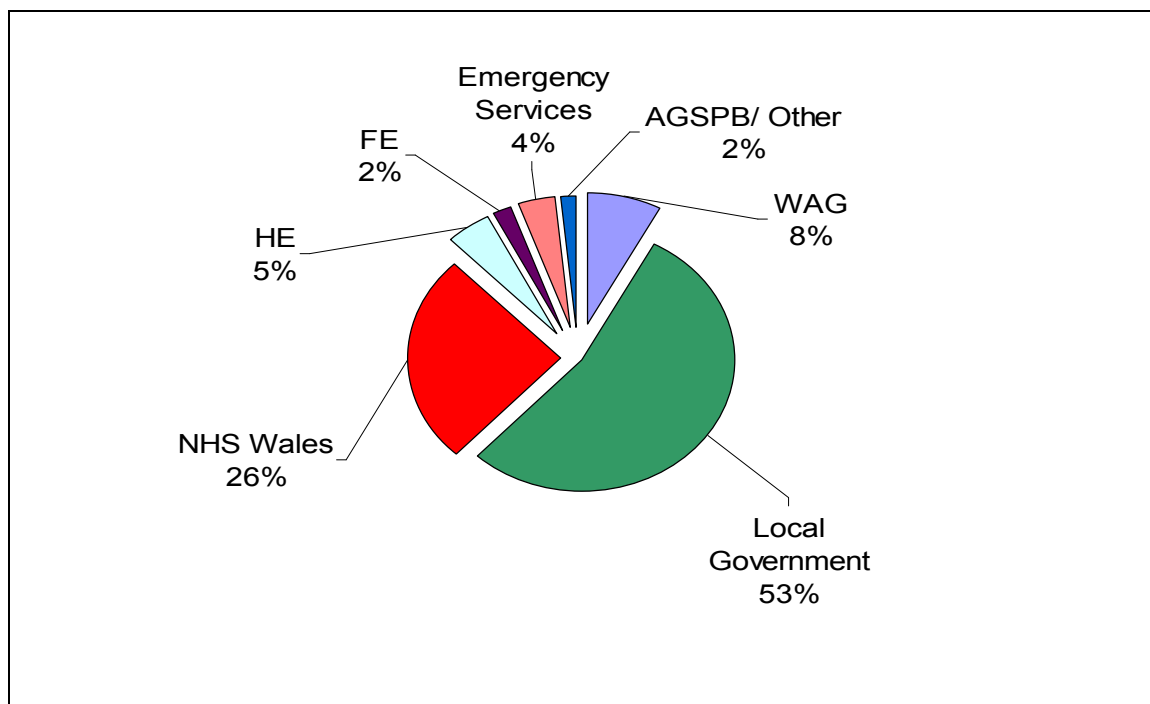
The Review was conducted in the context of this vision. This report 'Smarter Buying in Tougher Times' outlines the conclusions and recommendations of the Category and Capability Review.

## 10.0 Spend Analysis

### Overall Public Sector Spend

- 10.1 Spend data across the public sector is inconsistent and not readily available. The spend data used within the Taskforce and presented in this report has limitations - it is historic, based primarily on financial year 07/08 and is a snapshot in time.
- 10.2 A Value Wales expenditure exercise in 2008/09 analysed purchase ledgers from 2007/08 through a Spikes Cavell tool and quantified the total public spend at £4.3bn, involving a degree of extrapolation. Although this data is historical the exercise was ratified by taking 09/10 data from those organisations that had continued to populate the database. This showed 87% commonality with 07/8 spend. It was therefore agreed that a further exercise to refresh this data would not be undertaken as the cost and delay of such a major exercise was disproportionate and newer data would not affect the analysis and subsequent recommendations in this report. The importance of Management Information is discussed further in the report under section 5.4.
- 10.3 The greatest proportion of spend is undertaken by Local Authorities, accounting for more than half the total, which is then followed by NHS with a quarter of the total. The remainder is split between the Assembly Government, Education and Emergency services.

Figure 1: Overall public sector spend<sup>8</sup>

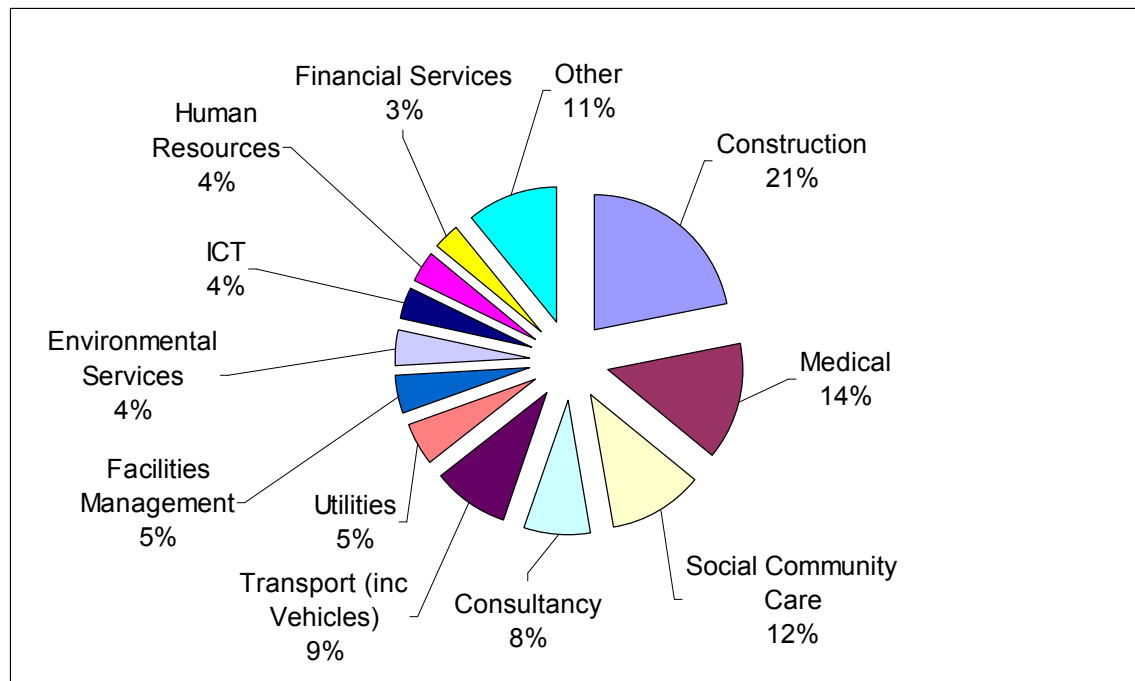


<sup>8</sup> Source: Value Wales – Buy 4 Wales content – 07/08 data extrapolated to represent 08/09 spend

## Overall Public Sector Spend by Category

10.4 The following diagram highlights the percentage of spend by category for the top 20 categories of spend based on 07/08 data.

*Figure 2: Spend by TOP 20 Categories*<sup>9</sup>



## Supplier Analysis

- 10.5 Just under one third of spend is with suppliers who supply more than seven public sector organisations – suggesting scope for collaboration.
- 10.6 61% of the analysed spend goes to 64,000 suppliers who individually receive less than £150k. Having a large amount of suppliers with low spend means that it is impossible to manage spend and a significant proportion is likely to be maverick or off-contract. With the top 50 suppliers by spend only receiving an average of £11M spend per year it means that this fairly dispersed supply base will make realising savings harder.
- 10.7 However, opportunities do exist. Of the top 50 suppliers by spend (excluding construction) only 26 are covered by some form of collaborative contract or agreed strategy, so there are more opportunities to be tackled.

<sup>9</sup> Source: Value Wales – Buy 4 Wales content – 07/08 data extrapolated to represent 08/09 spend

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## Issues for Suppliers dealing with the Public Sector

- 10.8 Sometimes, the procurement process itself can act as a barrier to smaller and more local suppliers, and the third sector, particularly when the pre-qualification process is disproportionate to the tender and is excessive, or places unreasonable emphasis on turnover, trading history or previous experience.
- 10.9 In addition, not all opportunities are advertised as fully and extensively as they could be. During the engagement process *for Economic Renewal: A New Direction*, businesses raised several issues in regard to procurement. There was a general desire that access to public procurement opportunities should be improved. Public procurement was seen to be very important, and suppliers wanted to receive more support in accessing the opportunities. Issues raised included:
- The need for simplification of procurement process – they are seen as overly bureaucratic and complex. There are concerns about the length of the process, the number of questions and demands for policy documents, all of which increase process costs for suppliers;
  - The feeling that more opportunities could be created specifically with SMEs in mind;
  - The perception that the public sector favours bigger companies;
  - The bundling of contracts, and a perceived reluctance to split contracts into smaller bundles which an SME could have a realistic chance of winning;
  - The feeling that it is difficult for small companies to get on to approved supplier lists (they may be too small to employ specialist people to put together the required information);
  - The Sell2Wales website is perceived, by some, as not very user friendly;
  - The requirement for three years of audited accounts and high minimum turnovers can prohibit new and small companies from competing;
  - The perception that “*Opening doors*” (*The Charter for SME-Friendly Procurement*) is not being implemented fully by local authorities (despite signing up to it);
  - The need for more local procurement, which would allow local companies to benefit from investments in the area. This would recognise the strength of local suppliers;
  - The feeling that a lack of skills and procurement capacity, particularly within Local Authorities, causes business to go to companies based outside Wales;

- There is a need for the public sector to encourage and build integrated supply chains, and bring in businesses to plug gaps.
- 10.10 These issues are more significant to smaller suppliers who cannot so easily afford the time to complete excessive tender requirements and is important because the SMEs provide over 40% per cent of private sector employment in Wales. However, this is no different to the rest of the UK. In Wales 40% of private sector employment is accounted for by large enterprises (those with 250 or more employees), which compares to the 42 per cent figure for the UK as a whole.
- 10.11 The reduction in public spending is making it harder for individual businesses that fail to win public contracts. However, analysis of the £3.5bn of public sector expenditure does not provide evidence that overall Wales<sup>10</sup> based suppliers are failing to secure contracts. Of the 3400 suppliers winning direct work worth between £150k and £5M per year nearly 60% were SMEs and 1800 or 51% were based in Wales, of which some 1500 were SMEs. Conversely, only 3 of the 11 suppliers winning direct work worth more than £10M were based in Wales and two were SMEs. Annual supplier expenditure over £10m was mainly construction related where larger contractors are typically based outside Wales.

## Supply Voids

- 10.12 Work on supply voids involves analysing gaps and using economic development or business support to change outcomes. “Supply Voids” are areas of demand which are fulfilled entirely by suppliers based outside Wales, or where there is no Welsh supply base to meet the demand.
- 10.13 This supply void approach has been used in the South Wales Heads of the Valleys and North Wales, where the hidden benefits of strong local supply chains has become apparent.
- 10.14 Opportunities exist to take a ‘proactive’ approach by identifying future projects and engaging with Wales based suppliers early to enable them to prepare to compete for opportunities as either prime contractors or sub-contractors. The Cowbridge Schools Project highlights an example where nearly 89% of the construction expenditure of £12.9m went to businesses in Wales.
- 10.15 The key to the success of this approach is the commitment of Local Authorities and other public sector organisations to adopt sustainable procurement approaches that seek to maximise social, economic and environmental benefits, with a particular focus on the principle of opening up opportunities for smaller more local suppliers. Collaborative and multi-agency working is also key, drawing on the support available through the Assembly Government's supplier development programmes to help with linking opportunities with potential suppliers.

<sup>10</sup> Wales Based Supplier – Expenditure is defined by postcode of supplier invoice address to establish geographic location and there is no direct correlation to number of jobs in Wales

**Implications for our suppliers**

- 10.16 The reduction in public spending means there will inevitably be some tension between delivering efficiencies and contributing to longer term 'well being' and economic growth. The optimum balance between these competing tensions will be different in different market sectors. Government and industry will need to share the responsibility of taking a balanced approach. Intelligent procurement means securing savings and developing successful and competitive Welsh suppliers.
- 10.17 This will mean taking an informed approach to categories of spend, sometimes developing an approach to encourage larger businesses to develop Welsh supply chains, in others using 'lotting' to encourage SMEs to bid directly, and in others encouraging SMEs to band together to bid as consortia. It is important that a balanced approach is taken to securing efficiencies at the same time as developing local supply chains. It is also important that relevant services are designed and commissioned so as to make best use of the voluntary sector.
- 10.18 Innovative approaches can engage smaller suppliers as evidenced by the South East Wales Highways Maintenance framework, led by Rhondda Cynon Taf Council. The procurement strategy for the framework was based on identifying a forward programme of works that would be delivered through the arrangement and then developing a 'lotting' strategy that would enable smaller, local businesses to compete for business. Consequently, the framework was concluded comprising a mix of small, local businesses for the lower value 'lots' and larger, national contractors for the larger lots.

*For example:*

*The current IT Agreement provides a cross range of manufacturers and resellers to meet I.T. and Procurement requirements. This includes local suppliers including as an example, a Wales based SME who has seen business growth of 60% from being on the framework. The agreement which was also split into product 'lots' encourages all suppliers to meet energy efficient minimum core specification requirements, thus helping to make available low energy consumption products for reduced environmental impact for organisations across Welsh public sector.*

- 10.19 There will always be individual winners and losers, but widely advertising opportunities, clearly setting out in advance what is required from suppliers to the Welsh public sector and taking waste out of the process will go a long way to getting the best response from the market.
- 10.20 Suppliers working across the Welsh public sector should be encouraged to think about engaging with the Welsh public sector as one entity. This will of course require the public sector to operate as one entity. It is critical that suppliers (in both the private and third sector) start looking at the cost drivers and come up with ideas about how, together; we can take unnecessary cost out of services.

- 10.21 The supply base will need to embrace technologies such as xchangewales and the use of e-tools and engage with us through relevant feedback mechanisms to ensure that these tools make it easy to do business. Providing feedback on the benefits realised from use of such technologies will help to strengthen the case for their wider adoption.
- 10.22 There is a need to identify future projects and engage early enough to ensure Wales-based suppliers are able compete for opportunities as either prime contractors or sub-contractors. It is particularly relevant for construction given the coming reductions in capital expenditure.
- 10.23 The Supplier Reference Panel (SRP) may be able to provide valuable support in helping to work through these implications and help the public sector to find the balance between securing value for money and supporting the Welsh supply base.

### **Funding and Grants**

- 10.24 A robust procurement exercise needs to be well planned with a developed strategy so as to secure value for money from the market. Unfortunately, the current way in which the Assembly Government issues hypothecated grant funds frequently means that there is no time to co-ordinate procurement activity and often organisations are left trying to secure goods or services from the same supplier at the same time, which pushes costs up. Sometimes lack of time can also cause compliance issues. Examples of rushed grant procurement in the past include playground equipment, and schools attendance recording systems. To secure value for money, the Assembly Government needs to give public sector buyers better forward sight of grant monies. In addition a requirement for organisations to collaborate on procurements resulting from grant funds would help drive efficiencies.

### **Spend Conclusions & Recommendations**

- 10.25 Whilst pockets of spend are under control e.g. circa 80% of all consumable goods used in NHS Wales are sourced nationally through contracts via WHS and NHS Supply Chain, it is evident that public sector spend is still too fragmented across Wales. We have too many organisations buying similar items without joining up in approach and thinking. Although the Sourcing Strategy has brought organisations together, there is still reluctance to compromise on specifications and our current models are the most expensive way of doing collaboration and the variation we allow in common items costs the tax payer money. For example, originally, 2500 items existed on the Tyre framework, which has been reduced to 1200 items after significant effort. There is also an unwillingness to allow low risk decisions to be made by others. For example, when the Welsh Purchasing Consortium recently developed an arrangement for the procurement of groceries, 19 volunteers asked to join the project team. These are Leadership issues and have to change.

Therefore it is recommended that we identify product/transactional spend and standardise it – thereby creating a much stronger collaboration.

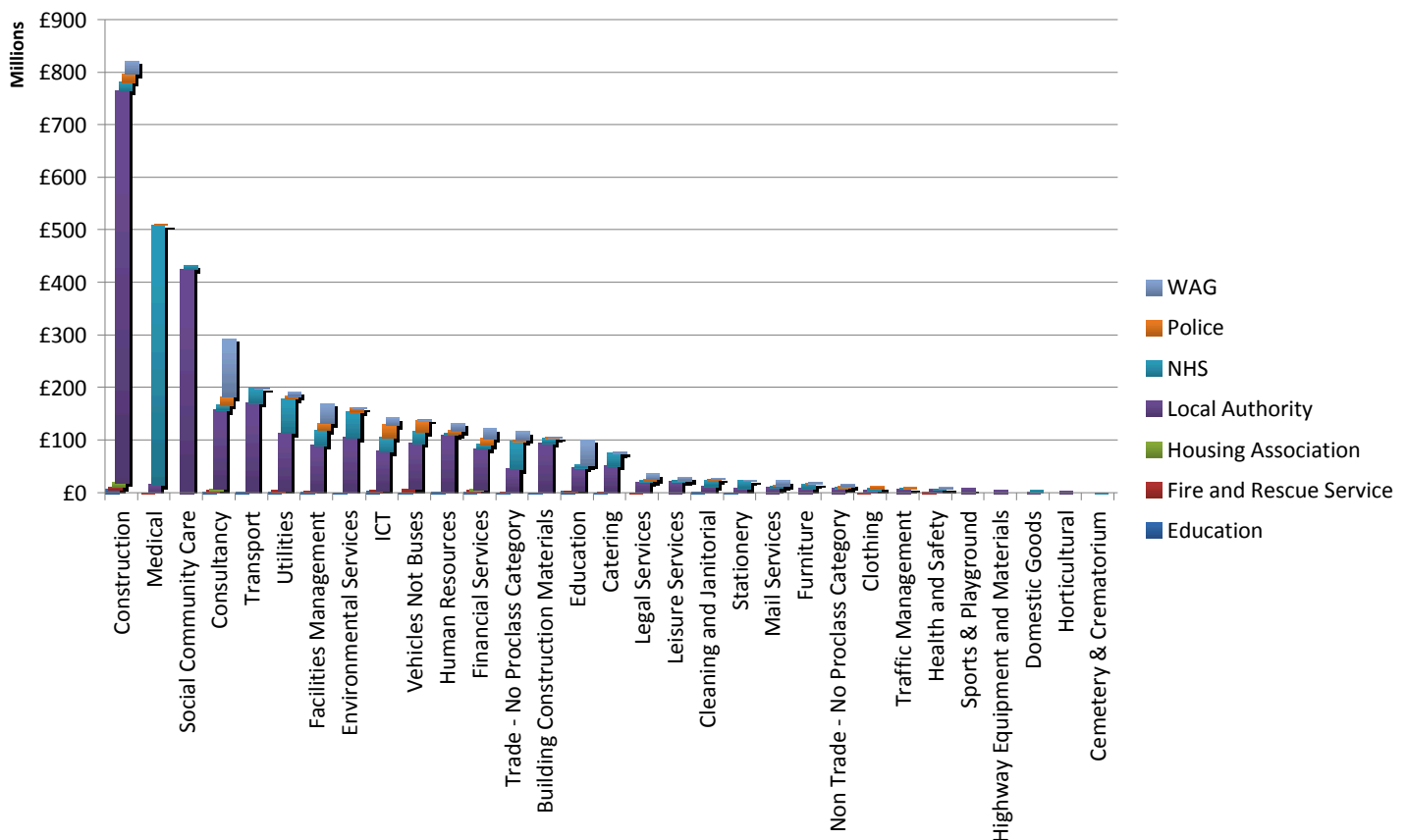
- 10.26 The private sector generally identifies its strategic suppliers and ensures a strong Supplier Relationship Management approach is taken. This is evidenced across the public sector in England but has only taken place in Wales to a limited extent where national agreements exist. For example, through the Efficiency & Reform Group (ERG) the Office of Government Commerce (OGC) is leading a negotiation approach with initially its top 10 suppliers. The scope of the exercise is currently central Government Departments only, but Value Wales are in close discussions about what benefits can be derived for Wales as a result of this project. It is therefore recommended that Wales adopt a targeted cost reduction programme with its top suppliers.
- 10.27 Areas such as IT, Stationery and Consumables have already demonstrated that collaborative deals can generate more for the Welsh pound – although there is more that can be achieved in these areas. This approach must now be considered in areas such as Social Care, Construction, Housing and Education.
- 10.28 Supplier rationalisation must be considered as part of the strategy moving forward to allow supplier–buyer confidence to be developed and bring efficiencies to the Public Sector. Such decisions must be made on a market-by-market basis with a good understanding of the local SME and voluntary sector supply base.
- 10.29 The timely and co-ordinated release of hypothecated grant funding from the Assembly Government is critical in supporting the procurement community’s ability to organise and develop strategies to achieve value for money whilst enhancing economic growth in Wales.

## 11.0 Category Review

### High Value Spend Categories

11.1 Analysis completed by Spikes Cavell on 07/08 data shows that the top four categories of spend are Construction, Medical, Social Care and Consultancy. A detailed breakdown of spend by category is shown below:

*Figure 3: High Value Spend Categories)<sup>11</sup>*



### Construction

#### Current Status

11.2 Construction is currently the largest area of expenditure by category, recognising that the capital budget will be subject to significant reductions as a consequence of the 2010 Comprehensive Spending Review.

11.3 Outside of the '21<sup>st</sup> Century Schools' programme, the NHS 'Designed for Life' frameworks and the action plan to deliver Welsh Housing Quality Standard programme, construction procurement activity remains relatively fragmented.

<sup>11</sup> Source: Spikes Cavell Spend Data 07/08 including latest available information, where available.'

- 11.4 Historically, annual construction activity has comprised a large number of relatively low value projects, with over 70% being valued at £2m or less, very few of which are coordinated.
- 11.5 Modern, best-practice approaches to construction procurement are defined in the Office of Government Commerce *Achieving Excellence in Construction* guides. Where these approaches are adopted, evidence illustrates that better outcomes are delivered in terms of key cost, time and quality criteria.

*For example:*

*Through a partnership between Costain Rhondda Cynon Taf and Welsh Assembly Government the Church Village construction project was delivered to budget and ahead of schedule. Last year the scheme employed and trained a total of 70 long term unemployed people from the area, 91% of all subcontracts were awarded to local subcontractors and 88% of material orders. Major advances in other aspects of sustainable construction were also implemented through the elimination of waste on the site, achievement of the CEEQUAL standard, the planting of 117,000 trees and plants, the use of 300,000 buried tyres found on the site and the considerable work with local schools and the community which notably included an exclusive DVD made by local secondary schools on the construction of the road.*

- 11.6 However, adoption of these approaches is not consistently embedded across Wales and there is a tendency to focus on lowest price decisions which rarely represent best value or deliver maximum community benefits.
- 11.7 A Construction Procurement Steering Group was established in December 2010 to develop and implement an action plan. The plan will seek to develop planned programmes of work, embed consistent approaches to procurement and assess the resources and structures that are currently in place for delivery of construction projects.

### **Opportunities**

1. Visibility of planned projects is fundamental to securing best value from construction investment. If public sector bodies were to share programmes of planned projects that are to be undertaken over the next three years it would allow arrangements to be put in place to enable:

- Collaborative programmes to be established for common and similar projects, eliminating duplication of effort;
- Prioritisation of projects that are likely to deliver widest benefits;
- Better financial planning; and
- An assessment of the necessary resources and skills required for effective delivery of the projects.

2. The fragmented nature of construction procurement is largely a consequence of complex organisational structures across the public sector. Through undertaking a review of the resources involved in delivery of construction projects, there is the opportunity to consider alternative delivery models. This may result in smaller numbers of teams, enabling more effective embedding of best practice procurement and reducing reliance on costly, bought in consultancy services. The four local authorities in South West Wales are progressing plans to develop virtual shared construction professional services. Such a model could be considered for replication in other parts of the public sector.

3. For every £1 invested in the construction sector in Wales, £1.76 is re-invested in the local community.<sup>12</sup> Research has illustrated that 30% additional local investment can be generated through enlightened approaches to construction procurement. Through mandating the use of 'community benefits', methodologies, construction investment could be routinely used as a lever for helping to support long term 'well being' and skills development.

4. The Supplier selection stage (or Pre-qualification) represents the biggest barrier to smaller, more local contractors accessing public sector construction contracts. The Supplier Qualification Information Database (SQID) common catalogue of questions produced by Value Wales represents an innovative approach to supplier selection and is increasingly being used in construction procurement. During 2010, Welsh contractors secured business in 15 of 26 major construction contract awards. Mandating the use of the SQID approach to pre-qualification could enable more Welsh businesses to win public sector work, supporting greater 'well-being'.

## Housing

### Current Status

11.8 Eleven Local Authorities have completed transfer of their housing stock to new organisations. The new stock transfer organisations are committing significant investment (some generated through private borrowing) in order to achieve the requirements of the Welsh Housing Quality Standard (WHQS) programme. The expenditure under this programme is estimated to be in the region of £500m up to 2016.

11.9 To assist in coordination of this investment, six consortia have been established across the housing sector. Those authorities that have not transferred stock are serviced through a combination of local procurement teams and the Welsh Purchasing Consortium.

11.10 Key areas of common expenditure relate to the installation of kitchens, bathrooms, windows doors and central heating systems.

11.11 A Housing and Regeneration Sustainable Community Investment Project has been established to determine the scope for effective coordination of WHQS in order to maximise social, economic and environmental benefits

<sup>12</sup> Source: Value Wales Benefits of Construction Investment research - Autumn 2010

from this expenditure. The group is due to complete its report in February 2011.

### **Opportunities**

1. The Registered Social Landlord (RSL) sector accounts for by far the largest proportion of investment in housing stock. Through further formalising consortia arrangements, the RSLs and Local Authorities could agree a lead to develop collaborative arrangements for all their requirements.
2. Regeneration of communities is at the core of RSL activity. The forward programme of investment to meet WHQS requirements provides an opportunity to identify supply voids which could be filled by local suppliers.
3. Initial benchmarking of prices paid for common, high spend commodities illustrates a ten percent variance across the RSL and Local Government sectors. Subject to identifying common specifications, there may be scope to develop collaborative procurement arrangements to harmonise prices

## **21<sup>st</sup> Century Schools**

### **Current Status**

- 11.12 The 21<sup>st</sup> Century Schools programme is a recognised long-term, investment programme. Strategic Outline Programmes were submitted by all 22 local authorities in December 2010, setting out their future education strategy and the required school infrastructure.
- 11.13 Due to the current economic situation, the scale and size of the budget for the programme is yet to be defined. However, the programme will involve capital investment in new, refurbished and extended school buildings.
- 11.14 Three exercises have been initiated to implement procurement arrangements for delivery of this investment:
- South East Wales Capital Group – a collaboration of ten authorities in South East Wales to establish a contractor services framework.
  - South West Wales – four authorities working together to put in place a contractor services framework.
  - Powys, Ceredigion and Gwynedd – have concluded an exercise and established a framework of contractors.
- 11.15 The remaining authorities in North Wales are developing plans to progress similar exercises. In addition, it is likely that each authority will establish its own arrangements for lower value, sub OJEU projects.

### **Opportunities**

1. The programme represents an opportunity to consider the recommendations set out for construction at point 4.1.1 of this Report.

2. The programme will provide a very clear picture of the likely forward programme of investment in school infrastructure building work. This will give the opportunity to standardise on common components, e.g. toilets, staircases. By developing standard requirements, the programme could approach the market to identify opportunities for reducing cost through the application of modern off-site construction methods. This may also provide the opportunity for identification of supply voids and development of supply-side capacity and capability in Wales.

3. Anecdotal evidence from England suggests that modular schools building proposals have provided 20% reduction in design and development costs and lower capital construction costs than those attributed to conventional building methods. The scale of investment in Wales may be insufficient to attract interest from the supply-side, but modular construction is an option that may be worthy of further exploration

## Waste

### Current Status

11.16 The Assembly Government published its first national waste strategy, *Wise About Waste*, in 2002. The revised overarching waste strategy document, *Towards Zero Waste* (published June 2010), sets out additional and more sustainable waste management and waste reduction targets beyond 2010.

11.17 Local Authorities have a statutory duty to make arrangements for the collection and disposal of municipal waste arising in its administrative area. The delivery of waste management services presents a major challenge to the whole of the public sector, due to legislation which is fundamentally changing the current landfill-based means of dealing with waste in the UK. Landfill diversion and recycling targets for Wales are now enshrined in law at both European and Wales' levels under the Landfill Allowances Scheme (Wales) Regulations 2004 and the Waste (Wales) Measure 2010. In the period up until 2025, the essential objectives will be as follows:

- To meet the Assembly Government's statutory targets for increasing the amount of municipal waste that is recycled or composted;
- To meet EU and associated Assembly Government targets for reducing the amount of biodegradable municipal waste that is sent to landfill;
- To source (through procurement or use of merchant facilities) sufficient municipal food waste treatment capacity to meet EU and Assembly Government targets;
- To source (through procurement or use of merchant facilities) sufficient residual waste treatment capacity to meet EU and the Assembly Government's targets for municipal waste;

- To improve collection systems to transport wastes from households to the appropriate treatment facilities, ensuring that the Sustainable Development outcomes detailed in 'Towards Zero Waste' and the Municipal Sector Plan Part 1 are delivered in accordance with Local Authorities' new duty on sustainable development under the Local Government Measure 2010.
- 11.18 Landfill capacity is running out and, in environmental terms, landfill is always the least favoured form of disposal. Public opinion is now generally against increasing landfill capacity. In addition, given that UK landfill tax is set to increase annually by £8 per tonne [to a figure of £80 in 2014, the cost of landfill will outweigh the cost of alternative disposal methods].
- 11.19 The price of failure to meet the targets for Local Authorities would be substantial with fines from the Assembly Government and infraction fines from Brussels passed from the Assembly Government to Local Authorities.
- 11.20 The comprehensive Spending Review has resulted in cuts in the Assembly Government's budget that will have implications for the Sustainable Waste Management Grant (£73m in 2010/11 – around 28% of the total estimated cost of the service). Whilst £23m to support procurement of food waste facilities and other waste programme procurement activities is likely to be protected) the remaining £50m is likely to be subject to cuts.
- 11.21 In 2008-09 the total cost of the Local Authority municipal waste service in Wales was £265,438,531.
- 11.22 A number of collaborative procurements are underway by LA consortia for treatment infrastructure, supported and funded by the Assembly Government to maximise the environmental and financial benefits from the waste treatment of both food and residual waste.

### **Opportunities**

- 11.23 There are still a number of areas of waste procurement which are unchallenged. These include: dry recycling, commercial collection/recycling and chemical waste. Public sector organisations will also need to consider greater opportunities for collaboration on waste consumables such as vehicles, wheelie bins, refuse sacks, and gloves in addition to considering more joined up approaches to the way in which waste is collected.

### **Social Care**

#### **Current Status**

- 11.24 Social Services and social care are a major industry in Wales, with a total public investment currently of around £1.418 billion per annum (Welsh Assembly Government forecast out turn for 2010-2011). With the

reduction in the capital budget it is likely that Social Care will soon be the highest spend category in Wales. There are about 70,000 people employed within the sector of whom the majority are working in care agencies for private and voluntary services and about 27,000 are directly employed by Local Authorities. It is also expected that the demand for these services will significantly increase with the number of people over 85 set to double by 2030 and significantly the number of people aged 40-55 (the age group which tend to consist of the majority of the unpaid carer population) set to decrease by 10%<sup>13</sup> - this will inevitably lead to an increased cost in providing care.

- 11.25 Some good examples of collaboration in this sector already exist. However, there is a need to further maximise opportunities from existing collaborative contracts within and across sectors and expand into areas of spend where leverage and competition are not optimised.

*For example:*

*Based on comparative data between those Local Authorities involved in the SEWIC collaborative project and 5 of the 6 Mid and West Local Authorities collected in September 2010 for just under 500 placements with three providers of care, cost savings of £500k were avoided over the year.*

- 11.26 Over many years, social services have moved from being the main provider of services to a position where currently around 61% of domiciliary care hours, 85% of residential care for adults in Wales and 75% of residential care for children funded by Local Authorities are provided by the independent sector. This change in service delivery model from direct provision to one of commissioned services from the independent sector will require a different skill set in both service commissioning and procurement. It is also an area where engagement with the third sector (social enterprises, charities and the voluntary sector) may provide opportunities to re-think how public services are shaped, delivered and procured.

### **Opportunities**

- 11.27 The report "From Vision to Action" of the Independent Commission of Social Services in Wales concluded that the social care market is currently not being managed sufficiently or appropriately.
- 11.28 Opportunities to shape the market to encourage innovation and to achieve efficiencies across both Local Government and the NHS are being missed. Clear expectations should be set of providers in the mixed economy of care through the use of Wales wide clear consistent service specifications and model contracts.
- 11.29 There is also a need to better acknowledge the reality that increasing numbers of older people will be purchasing their own care and that the

<sup>13</sup> Daffodil Care Needs Projection Tool

present arrangements for the planning commissioning and delivering of services across the 22 local authorities are not sustainable.

11.30 In July 2010, the Deputy Minister for Social Services announced that the Welsh Assembly Government intends to publish a White Paper on Social Services early in 2011 to set out a clear direction of travel for social services and social care. The outcome of the white paper will determine the structure and approach going forward and not withstanding this we recommend the following:

- Better coordinated approach to the commissioning and procurement of social care services;
- Standard approach and processes which are multidisciplinary and includes professional procurement input;
- The development of market position statements which describe future demand together with a detailed analysis of supply and where services need to be promulgated. These statements can be used as a basis of dialogue between commissioners and providers.

## **Consultancy**

### **Current Status**

11.31 Consultancy equates to approx £224m, this represents a 6.4% of this total expenditure across the Welsh Public Sector. Consultancy is an area of high spend for the Welsh Public Sector. The 3 highest spend areas include; IT/IS Consultancy, Property & Construction Consultancy, and Organisation & Change Management Consultancy.

11.32 Although there are UK national agreements provided by the OGC, all-Wales collaboration in this area is not always evident, providing an opportunity for further savings and improved practice. Of the 32 most commonly used suppliers, 14 could not be identified as being part of any Public Sector Framework Agreement during the period 2007/08. Whilst some suppliers may have been subcontractors this is an area that suggests a co-ordinated approach should yield savings.

11.33 The highest area of public sector spend within Consultancy is in the sub category of IT/IS. It is also the sub category where public sector organisations have the lowest commonality of suppliers.

### **Opportunities**

11.34 To further explore the 3 highest areas of category spend within Consultancy and consider the scope for all-Wales collaborative agreements in:

- IT/IS Consultancy
- Property & Construction Consultancy
- Organisation & Change Management Consultancy

11.35 To create a single advice centre to support demand management - help public sector organisations maximise value from expenditure – making best use of surplus public sector staff, accessing existing contracts, helping to advise on structuring specifications to reduce cost, and monitoring performance. The National Audit Office has stated that there are potential savings of up to 30% through implementation of a suitable demand management tool.

## **Passenger Transport**

### **Current Status**

- 11.36 In 2010-11, the Welsh Assembly Government provided funding of around circa £271M to support the provision of local bus, community transport and rail services in Wales. This includes provision for the all-Wales concessionary bus pass and concessionary travel on the Heart of Wales and Conwy Valley Lines. In addition, Local Authorities also support local bus and school transport services from their own resources.
- 11.37 The significant amount of funding provided by central and local government on a variety of transport services that are administered and delivered locally, provides excellent opportunities to maximise benefits and deliver better value through more joint working and greater use of smarter procurement methods. This is particularly important where Local Authorities can combine action across various departments to jointly procure transport services for transport, education and social services needs. There is already some good practice of this across Wales. At the same time, this will allow bus and community transport operators to use their fleet more efficiently.

### **Opportunities**

- Making more use of the powers under the Local Transport Act 2008 that allow Local Authorities to work more closely with bus operators to plan and deliver local bus services that meet the needs of local communities;
- Greater collaboration across Local Authority departments to jointly procure local transport services;
- Smarter procurement through e-procurement and e-auctions;
- Using regulatory powers to change the start and end of the school day to allow for the better co-ordination of school transport services; and
- Public sector agencies negotiating discounted ticketing arrangements for staff travel with bus and rail operators.

*For example:*

*The North Wales Procurement Partnership have demonstrated how, by collaborating across the North Wales Local Authorities and by using e-procurement and e-auction tools, they have delivered around £1M in front line costs reductions.*

## ICT

### Current Status

- 11.38 In 2007/08 £114,964,266<sup>14</sup> was spent on ICT, supported by more recent information containing some 2008/09 datasets which estimates spend at £136,410,195. In line with the current Sourcing Plan a significant amount of collaboration has already taken place and significant benefits in the region of 30% realised. This has covered: I.T. Equipment & Associated Services; Photocopiers, Multi Functional Devices and Associated Goods & Services; Telecoms and Mobile Phones.
- 11.39 Working closely with the EIB ICT Programme Work stream further procurement opportunities could be maximised and prioritised across the ICT category area. This will build upon Value Wales procurements to date and aim to deliver additional savings and sustainability benefits in line with the agreed National Sourcing Strategy.

### Opportunities

#### **I.T. Hardware**

- 11.40 Desktop Standardisation - a framework agreement exists to support cross-sector procurement of IT hardware and this is currently being renewed with a target start date of 1<sup>st</sup> July 2011. The new arrangement is being developed around standard specifications for a small core range of products for a range of I.T Hardware Equipment. Agreeing and procuring standardised desktops and supporting infrastructure and tools across the entire public sector could provide further benefits in addition to those already achieved to date.
- 11.41 We recommend that the IT hardware re-tender explores the difficult issues in securing change in behaviour and provides lessons for other categories.

<sup>14</sup> Source: Spikes Cavell - Not all spend is included, some spend may be categorised incorrectly or may be under a different category area e.g. consultancy

## Software

- 11.42 A Task & Finish Group is being established to undertake a focussed piece of work on software procurement. One of the group's main aims will be to identify opportunities for quick wins on common licensing, looking at opportunities to deliver cash savings and/or efficiencies from software procurement.
- 11.43 Such opportunities may arise from collaboration on standard applications, aggregating spend, negotiating changes to licence use conditions (sharing across the Welsh Public Sector). Single procurements of software licensing contracts across public sector Wales could provide further benefits in addition to those already achieved to date.

## Health Products

### Current Status

- 11.44 Contracting in the NHS is undertaken at various levels dependant on the nature of the activity i.e. locally, regional and centrally. Central contracts are negotiated by Welsh Health Supplies and these cover a wide range of areas including Medical Consumables, Pharmaceuticals, Utilities and Provisions. In respect of Medical Consumables the broad areas covered include Medical disposables and dressings.
- 11.45 Contract negotiations include extensive engagement with the service in respect of their requirements and a heavy focus on Quality Assurance and Quality Control with a link to the Surgical Materials Testing Laboratory (a part of the ABMU LHB) who supports the contracting process in these areas.

### Opportunities

- 11.46 The expenditure on Medical products is significant (£500M) and an assessment of these areas has revealed opportunities to take a more strategic approach to areas of activity not previously co-ordinated. As a result an "invest to save" bid was successfully made for Assembly government funding and a dedicated team established within WHS to drive forward savings opportunities identified in excess of £8 million over three years. To date the project is on track to achieve the year one target of £1.2m.
- 11.47 Areas of activity for this team are now focused on a range of complex market areas including Orthopaedic Implants, Cardiology, Radiology, Endoscopy and Instrumentation. The spend profile in these areas exceeds £35m and further data analysis is expected to reveal additional areas of potential activity.
- 11.48 Whilst engagement with the Service is vital to this process, contracting for new & complex areas brings a significant challenge primarily due to historical clinical preference and the need to demonstrate how change and standardisation can add value on an All Wales basis.

- 11.49 Likewise the Pharmacy team covers a broad range of pharmaceuticals and related products, which would include Vaccines, X-Ray Media, Family Planning, Parenteral Nutrition, IV Fluids, Medical Gases and Enteral Feeds. Extensive engagement with stakeholders is key to the effective implementation of this high area of spend. The All Wales Drug Contracting Committee adjudicates and oversees the running of the contracts, which includes a quality control service undertaken by St Mary's Pharmaceutical Unit, providing All Wales resource for quality assurance and technical support.
- 11.50 The overall expenditure on Pharmaceuticals in secondary care is £167m and with the total value of contracts in Wales currently standing at £45m, it is a target of the team to increase the value of drugs included on contract. This is a difficult battle, as although there are opportunities when high value drugs come off-patent, (opening up generic competition and reducing the value of the drugs by up to 90%), at the same time new drugs are constantly being launched which are also high value, but do not usually provide opportunities to secure discounts through contracting.
- 11.51 The team does, however, continue to produce large savings year on year. 2009/10 producing in excess of £7m and this year forecasting at least £6m. An important focus for the team during the last few years and for the next 6-7 years will be to deal effectively with high value drugs losing their patent protection. This involves in-depth analysis of the market place to understand when and if viable generics are going to be brought to market and if so, ensuring tenders are issued at the optimum time to maximise savings. So far this year savings as a result of items coming off-patent will be in excess of £2.5m. During next year a further £3m of branded drugs will be available for generic competition.

### **Category Review - Conclusions & Recommendations**

- 11.52 Whilst collaborative opportunities are being explored in major category areas, more work can be done to leverage our scale across the public sector.
- 11.53 By supporting major spend categories in developing strategic forward planning and improved practice to realise savings and by sharing best practice for driving key efficiencies in major spend categories, significant savings can be realised. Procurement can also help commissioners to reshape our services by working with the market.
- 11.54 Value Wales, in partnership with existing Consortia will need to consider the detailed recommendations made within this section and agree how best to take this work forward.

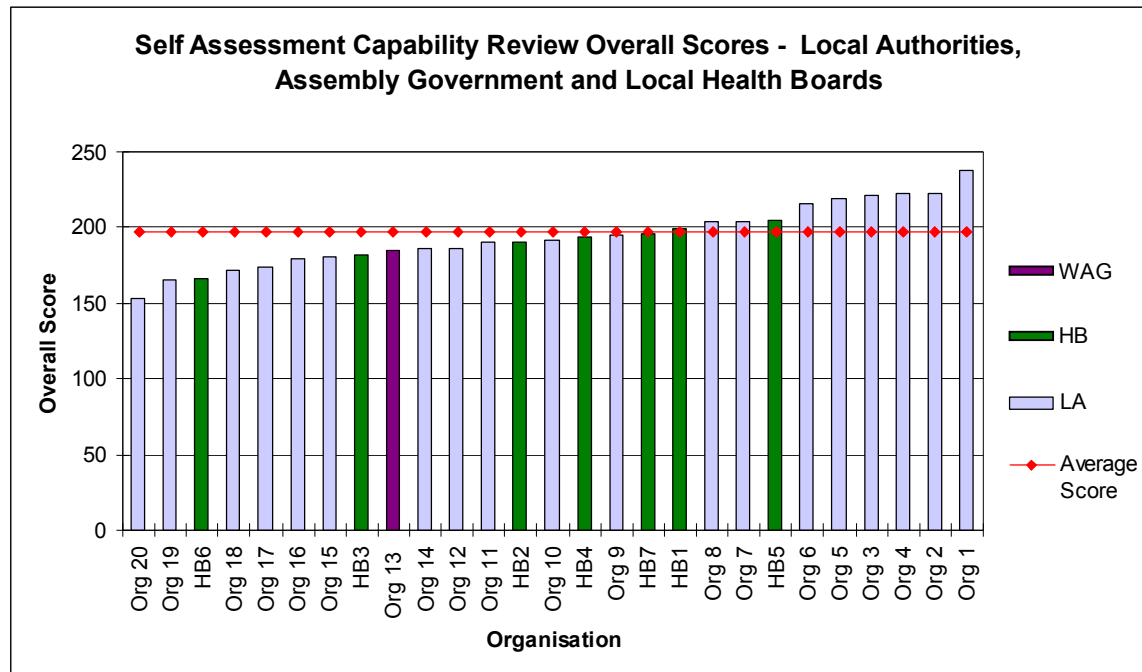
## 12.0 Our Organisation

### Capability Review

- 12.1 A capability self assessment exercise had been initiated by the NHS as part of the Shared Service review. It has helped the NHS to gain an understanding of the current procurement capability and identify any gaps/developmental areas.
- 12.2 The taskforce agreed that it would be beneficial for Local Authorities to undertake the same review. A self assessment questionnaire was subsequently completed by all bar three of Local Authorities across Wales and by the Welsh Assembly Government. All used the basic methodology currently in operation within Scotland, with minor adaptations. This ensured a like for like comparison across participating organisations.
- 12.3 The self assessments were supported by facilitated workshops and peer review. The Assembly Government participated in the Local Authority workshops. The areas of assessment considered by the review were as follows:

Area of Review	Description
Performance Management	Criteria used to drive and inform commissioning and procurement decisions.
People	Capability and competency of procurement personnel.
Procurement Strategy	Maturity of procurement strategy - objectives and targets identified.
Purchasing Processes	Effective end to end procure to pay processes in place, including supply chains.
Procurement Leadership	Defined structure with clear roles and responsibilities aligned to organisation corporate strategy.
Sourcing Strategies	Support for local/regional supplier in competing for public sector business and evidence of service driven procurement strategies including sustainable procurement practices (corporate social responsibility and community benefits).
Contract Management	Effective contract management processes with key suppliers managed effectively. Pro-active supplier relationships.
Specifications	Level of market intelligence used in strategic procurement decisions. Adherence to compliance procedures and consideration of social environmental and economic impact.

- 12.4 The results of the LAs, the Assembly Government and NHS when combined, shows the range of capability based on a self assessment. The results can be found overleaf:

**Figure 4: Capability Review – Overall Scores**

- 12.5 The results support the recommendations from the work carried out by John McClelland of NQ Consulting as a result of the 'Making the Connections' funded procurement projects. This highlighted a profession which has suffered from significant under investment over many years both in staff and systems to support the processes. The current focus on public sector spending and the need for access to professional procurement skills is very clear. It is evident that across organisations we have a disparity in knowledge, skill sets and systems, the consequence of which is that the profession does not influence the amount of non pay expenditure that it should. The summary graph demonstrates that each organisation is in different stages of development; however, contract management and use of market intelligence in setting specifications have the lowest average score. Therefore, contracts that do exist suffer from variable contract management and as a result maverick expenditure exists in many organisations. The lack of skills and capacity in this area usually means that contract management is left to the technical client and there is often a failure to conduct reviews prior to extension of contracts and easy acceptance of price variations.
- 12.6 In relation to specifications, looking at the common and repetitive spend across Wales there are significant opportunities to standardise specifications across sectors. The analysis also highlights that procurement officers often fail to engage with the supply chain to develop innovations within specifications which could drive down the cost of provision.
- 12.7 The taskforce is united in its view of the need to invest in skills to give staff confidence to lead effective negotiations and improve supplier engagement.

## Health Summary

- 12.8 A capability review was initiated by the NHS as part of the Shared Service review, in order to understand the current procurement capability and identify any gaps/developmental areas.
- 12.9 The review must be seen in the context of the process and therefore, any comparisons within and indeed across sector, should come with a ‘Health Warning’. It is clear that there is a shortage of skilled and experienced professional procurement officers and this is having an impact on the ability of the sector to develop and grow the service. There is also variation across the operating locations. This impacts the key areas of EU procurements, contract management and service specifications.
- 12.10 On a more positive note, the existence of a common IT system is a major advantage and places the NHS in a unique position across Wales and indeed the wider UK and this has clearly driven significant benefit to the service.

## Local Authorities

- 12.11 The review highlights that there is still disparity across the sector in terms of procurement maturity, influence and structure. The use of management tools and ICT is inconsistent and the sector faces challenges in terms of contract management and specifications. However there is clear evidence of SME development and good examples of use of Social Clauses in construction related contracts, with growing collaboration in Social Care commissioning. There are examples of strong well coordinated procurement in *some* local authorities supported by strategy and structures.

## Welsh Assembly Government

- 12.12 Procurement within the Assembly Government is devolved across the organisation, with the central Corporate Procurement Service providing advice and quality assurance on all procurements over £25k.
- 12.13 Transport Wales lets and manages contracts for Roads and Highways in addition to managing integrated transport throughout Wales. There are some Assembly wide contracts which are managed by and/or transacted by other divisions – including for example, utilities and facilities management and ICT services. Skills are varied, and arrangements to develop common policies are ad-hoc. No formal governance for procurement exists across the organisation. Recently more all-Wales agreements have been adopted, but this remains at the discretion of the Department or division involved.
- 12.14 The Capability Review highlighted a particular weakness in contract management skills across the organisation and the lack of a corporate Procurement Strategy.
- 12.15 The agreement of the Assembly Governments Strategic Delivery & Performance Board was secured in December to develop a category management structure across the organisation, along with the introduction

of a 'Passport to Procurement' scheme which will address many of the skills issues identified.

### **Specific Category Knowledge**

- 12.16 Within Construction, skills and capabilities across the public sector are variable, evidenced through the inconsistent adoption of best practice and modern approaches to construction procurement. This variable capability represents a risk to the delivery of high value, complex projects. The *Designed for Life* framework, managed by Welsh Health Estates is a good example of the adoption of modern procurement methods, delivering major improvements in project cost, time and quality outcomes and securing wider community benefits.
- 12.17 "Fulfilled Lives Supportive Communities" the 10 year strategy for Social Services, recognised good Commissioning as a key driver in developing services of the future. It is clear that the change in future service delivery model from direct provision to one of commissioned services from the independent sector will require a different skill set in both service commissioning and procurement. The development programme commissioned by the "FLSC Commissioning Executive Group", will consider a capability and capacity review as a priority.

### **Capability Conclusions and Recommendations**

12.18 Overall, there are areas of best practice within all sectors which can be built on such as;

- a basis for collaboration has been established and there are some examples of mature procurement organisations within Local Government;
- in Health the investment in a common IT infrastructure and coding structure facilitates standardisation and collaboration;
- the introduction of the Passport to Procurement within the Assembly Government is an innovative development to address skills gaps.

12.19 However, the ability to bring real change and efficiencies is hindered by the lack of key performance indicators to drive efficiency and secure value for money. There is also a lack of procurement professionals with high level contract management and supply chain development skills available to either secure optimum efficiencies or to drive innovation. It is therefore recommended that a minimum standard of procurement capability is agreed and that a training programme is developed to support the attainment of the minimum standard.

12.20 There is a clear need for Local Government to review processes and systems with a view to consolidating the developments already established in Health and some Local Authorities through the xchangewales programme. Future strategy would need to reflect the work of the E&I – ICT workstream in order to establish a standard platform.

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**How we are currently organised**

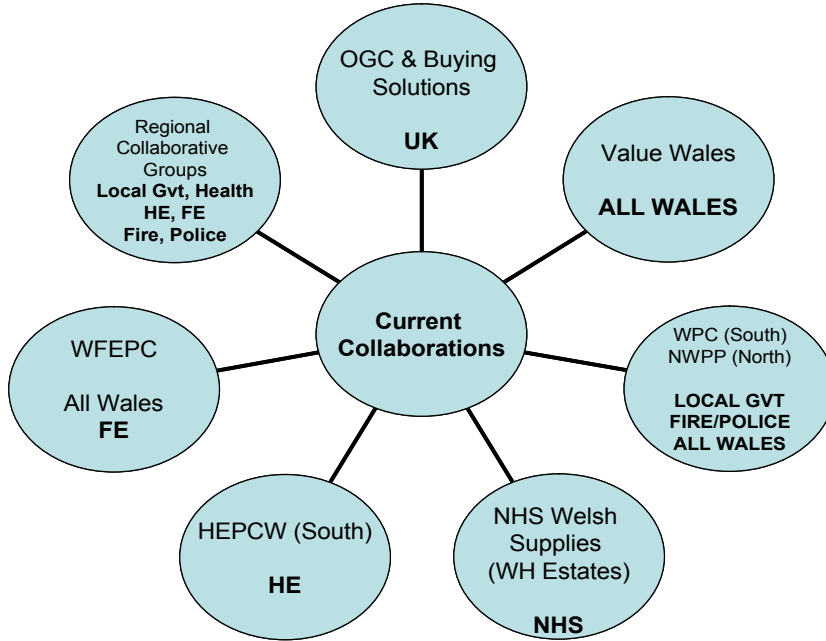
- 12.21 Collaborative procurement in Wales has been positively active for many years. The current status of collaboration is a good foundation for the future. However, it is acknowledged that for greater efficiency to be achieved the models of collaboration should be reviewed and there should be greater consolidation and a more consistent best practice approach to the procurement process which would strengthen Welsh supply chains and make better use of scarce resources.
- 12.22 Collaborative Procurement in Wales is currently carried out through a number of different consortia, operating slightly different models. The extent of collaboration within sectors ranges between circa 5% and 20% of spend (LAs), 30% for (Higher Education – source Annual Report 2008/9) and around 44% (Health). This demonstrates that further collaborative opportunities exist, especially in the Local Authority sector. Procurement undertaken by the Assembly Government has a different expenditure profile to the wider public sector in that the balance of goods against services procured is significantly lower, but it is acknowledged that collaboration in appropriate areas can be improved.
- 12.23 A National Sourcing Strategy has been successfully established so that these consortia rarely duplicate each other, and a broad consensus exists on how each commodity or service should be procured (i.e. on a UK, all-Wales, regional or local basis and whether in or across sectors). A review has been initiated by Value Wales to review the role and effectiveness of the National Sourcing Strategy to reflect the next phase of work. A collaborative vehicle exists for most approaches (except regional cross sector) and in general engagement is high, but more can be done.

E&I Procurement Taskforce  
**Category & Capability Review**

The current consortia arrangements are as follows:

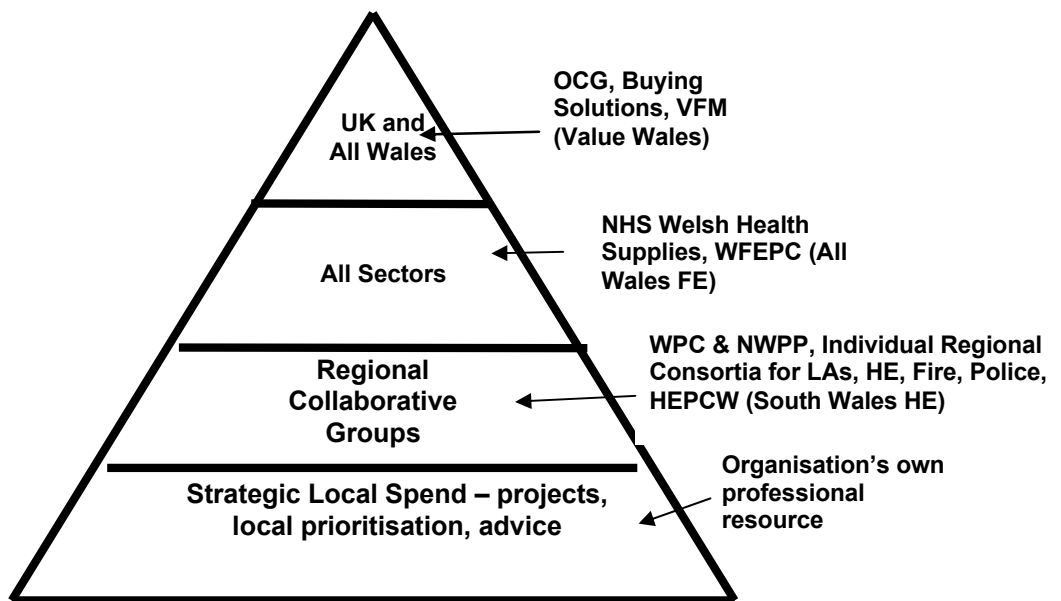
*Figure 5a: Current Models of Collaboration*

These are the collaborative bodies that currently exist:



*Figure 5b: Main Ares of Focus*

And, in general, these are the main areas of focus:



- 12.24 The operating environment for these sectors is very different. Collaborative contracts need to be delivered within vires and in compliance with European regulations. The NHS has a 5 year plan and central direction is given to each LHB, and out-sourcing is outside current scope. Local Authorities are required to consider local priorities and political issues – and are independent of central direction. However there is a facilitated work programme for common goods and services organised by the Welsh Purchasing Consortium. Currently each member of the consortium provides procurement capacity to let contracts. This is an area for improvement and further development. The North Wales Procurement Partnership has successfully let a number of agreements but work is underway to consider ways to improve the strength of this collaboration. Universities are run on essentially a business model and compete with each other for students. There is a long-standing national HE collaboration model for common spend with some 30% of Welsh HE spend going through collaborative agreements. Through Value Wales, Assembly Government lets and manages a limited number of all-Wales agreements open to all sectors. The sector differences will always remain but their influence on culture and practice should not be under-estimated. Similarly the different sectors do not have exactly the same powers or regulatory regime.
- 12.25 Having considered current collaborations in major spend categories, the following areas have been identified with having further opportunities for greater collaboration.
- 12.26 Whilst some collaboration exists within sectors for Energy, Social Care, Consultancy and capital build of Schools - further opportunities exist for managing demand and securing better value for money across sectors.
- 12.27 For Construction, Housing, ICT and Health Products good collaboration exists for specific commodities within and to a degree, across sectors, but collaboration could be extended to include more commodities and services.

### Common Spend Categories

- 12.28 Whilst there is some collaboration underway within sectors, there is more to be done both within and across sectors. Whilst it is acknowledged that individual organisations should retain management of strategic high risk procurements, there is an opportunity to manage common spend categories as one. Common and repetitive spend can be described as any good, work or service that is bought within each sector or combinations of sectors. For Local Authorities, NHS and The Assembly Government these include:

- Professional Services (consultancy, legal, technical services, workforce staff)
- ICT
- Transport
- Building & Engineering Materials

- Provisions
- Waste
- Energy
- Office Consumables
- Street Lighting,
- Protective Clothing
- Cleaning

Future areas to be considered include aspects of Social and Continuing Care.

12.29 Currently, when collaboration takes place within and across sectors, professional and technical resources are often duplicated when securing common spend contracts. Moving to a shared service model would not only leverage the scale of the Welsh Public Sector by acting as one to secure best value for money, but it would also free up procurement professionals where there is currently a shortage of skills and capacity. Establishing a shared service would mean that changes to existing structures would be required and movement of staff may take place.

12.30 It is therefore recommended that a shared service project is initiated to consider this approach.

## Technical Infrastructure

### xchangewales

12.31 xchangewales is a collection of electronic tools and secure web based services designed to support and enhance the complete procurement process. eProcurement enables public sector organisations across Wales to source, order and pay for goods and services online. It makes it faster, easier and less expensive for suppliers to trade with their public sector customers and can also help speed up payments to suppliers.

12.32 The xchangewales programme was introduced in 2008 and has a target of up to £200 million worth of benefits over a 5 year period. As of October 2010 the programme has projected over £36m in benefits, since the programme started in Apr 08, against the 3 year target of £32m. Around 40% of the benefits are classed as cashable which organisations can redirect into front line services. Significantly these savings only become cashable if organisations are prepared to reduce staff numbers or move staff into different functions. In terms of environmental benefits organisations have to date potentially saved 8.5 million sheets of paper equivalent to 938 trees or 56 tonnes of CO2.

12.33 The major benefit of this programme will come when all public sector bodies are utilising the system in a consistent manner – supporting the vision of one approach for Wales.

## Supplier Qualification Information Database (SQulD)

- 12.34 Value Wales is developing a “Supplier Qualification Information Database” (SQulD) to simplify the process of submitting pre-qualification information for SMEs. Businesses’ answers to the common core questions asked during the early stages of procurements will be stored on the database for re-use.
- 12.35 The SQulD question set was developed through widespread consultation, and while the electronic database has not yet been launched, around 300 public sector buyers from all over Wales have been trained in using the new common core questions. Many organisations are already using them as standard for their procurements, and generally there is a very high degree of buy-in to the new process from the Welsh public sector procurement community.
- 12.36 As well as simplifying questions and saving answers, the new system is designed:
- to *encourage* buyers to take a proportionate, risk-based approach and keep the number of questions to a minimum
  - to make more use of questions with yes/no answers
  - to encourage buyers to explain why they are asking each question, what is expected in the response, and how the information will be evaluated
  - to encourage buyers to state clearly up front what the PQQ/tender is for and exactly what the minimum requirements are so that suppliers can de-select themselves where appropriate
  - to promote wider advertising of contract opportunities
  - to make the whole process more transparent for suppliers.
- 12.37 The SQulD will address several of the recommendations of the 'Barriers to Procurement' report, where it is identified that suppliers feel that having to submit the same information to multiple sources is unnecessarily costly and a poor use of their time and represents non joined up practices within the public sector.
- 12.38 The SQulD will be hosted on the National Procurement Website, Sell2Wales, which is being redeveloped using newer technology, with improved security for businesses. The investment in newer technology will improve the resilience and reliability of the site and increase business confidence.
- 12.39 The improved site will allow for more detailed, tailored search facilities for businesses, offering SMEs more sophisticated search and save functions for finding public sector opportunities appropriate to their business. Currently, registered businesses receive alerts through e-mail to notify them of relevant up and coming contracts; the new more bespoke facility will ensure that the e-mail alerts they receive are, as much as realistically possible, more relevant, appropriate and proportionate to their needs as a business.

12.40 In future, bringing together the Sell2Wales, Buy4Wales and xchangewales websites will provide businesses with one centralised location offering up to date advice on procurement, public sector opportunities and tender advice. The proposed redevelopment will provide more up to date and relevant information, allowing individual SMEs to tailor the site to their own needs as a business.

### **Management Information**

12.41 Management Information is a critical element of business operations and allows an organisation to make informed decisions and organise its' spend. A key element of this is information on what an organisation commissions and from whom.

12.42 A lack of reliable Management Information (MI) means that organisations are unable to pinpoint wasteful practices, are unable to inform commissioning decisions and lack the evidence to identify local sourcing opportunities or risks.

12.43 An organisation which has advanced processes and systems will normally have intelligent MI to support effective planning of expenditure. Conversely, an organisation without robust systems and process will have little or no MI upon which to base its commissioning decisions. A key component of MI is benchmarking data, without which sectors are unable to quantify performance within sector or across sectors.

12.44 The availability and reliability of MI varies considerably across and within sectors.

### **Health Boards & Trusts**

12.45 Management Information is readily available in the NHS due to the fact that the finance and procurement system within NHS Wales has been designed to allow all Wales reporting for both aspects of the system. An end user layer has been built into the system set up to support this. A library of reports exists so these can be pulled off the system. The information from a procurement perspective is fed into another tool which facilitates further detailed analysis and reporting. This includes being able to see the individual orders. An example of some of the reports is included within Appendix 17.1

### **Local Authorities**

12.46 The availability of MI within LAs differs greatly as use of procurement systems is disparate and there are inconsistent approaches to information and procurement decisions. Even when common systems are in place they are not implemented in a common and methodical way. For example, two or more organisations could have the same financial and procurement systems yet they operate in isolation.

**The Welsh Assembly Government**

12.47 The Assembly Government has recently completed the roll out of the SAP End to End Payments system across the organisation. The system will give access to detailed management information commencing financial year 2010-11. An analysis of the 2009-10 expenditure data was completed through Spikes Cavell.

12.48 In summary, robust systems are in place in Health, some LAs and the Assembly Government, which could form the basis for standardisation and collaboration. This approach should be uniformly adopted to provide the platform for one procurement approach for Wales, standardised documentation and the introduction of common specifications.

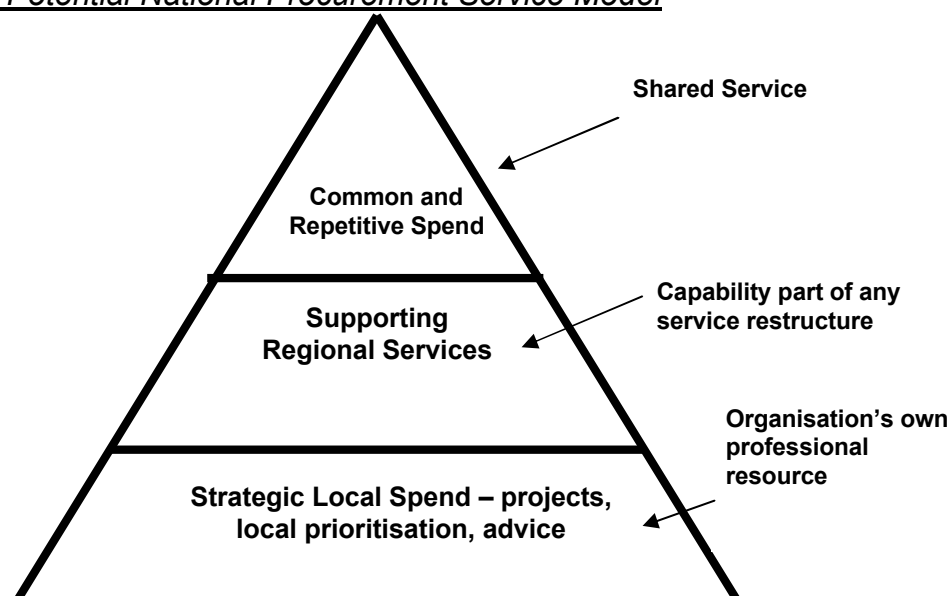
**Our Organisation - Conclusions and Recommendations**

12.49 Whilst collaboration is established and developing, the public sector needs to clearly separate common and repetitive spend from that which is service critical and significant in terms of local delivery. It is proposed that a piece of work is commissioned to further explore the opportunities of establishing a shared service to manage common & repetitive spend.

12.50 As an indicator between 20-30% of public sector expenditure should be through some form of shared service. The areas of spend proposed for the first tranche is : Professional Services, ICT, Transport, Building & Engineering Materials, Provisions, Waste, Energy, Office Consumables, Street Lighting, Protective Clothing and Cleaning.

12.51 This development will have an impact on what is procured regionally and locally. This impact would be considered as part of the shared service project.

*Figure 6: Potential National Procurement Service Model*



- 12.52 Technology should be exploited to help reduce transaction processing costs by automating manual processes, increasing contract usage to improve prices at point of purchase and then using management information to identify further opportunities for price savings and cost reductions.
- 12.53 We need to invest in developing the capability of the procurement profession to support the future vision of Procurement across the Public Sector. Support for developing our capability can be provided via the 'Home-grown Talent' project, which has been established to help develop the capability in procurement staff, leaders and client areas to take forward these changes.
- 12.54 Moving the Welsh public sector to a position where it represents world class collaboration would mean that across the public service we:
- understand what we buy, and how the associated supplier markets and supply chains operate;
  - organise our expenditure to secure the best response from the market;
  - are easy for suppliers to deal with - open and transparent, maintaining dialogue and encouraging appropriate innovation;
  - manage the performance of our contracts;
  - understand and address legal and supply risk;
  - understand and act on opportunities to deliver economic, social and environmental benefits;
  - maintain the necessary professional skills and capability to deliver;
  - have early professional commercial involvement to help shape projects and policies that involve external services;
  - use technology to take out waste and duplication in processes;
  - use excellent management information to set strategies;
  - lead and support collaboration across the wider public sector to secure leverage and share best practice.

## 13.0 Conclusions

### Summary

- 13.1 Since the '*Better Value Wales*' Review of procurement in 2000 there have been major improvements. There has been a marked growth in the profile of the profession; most Local Authorities now have a strategic procurement function; there is a national sourcing strategy and collaborative procurement across and within sectors is widespread – over 70% of Local Authorities and Local Health Boards use all major all-Wales agreements; investment is being made in e-procurement and the national website thrives; processes are more open to smaller and more local suppliers; and there are many excellent examples of where community benefits have been achieved in terms of local supply chains, training and helping disadvantaged groups.
- 13.2 However, Welsh public sector procurement is not exemplary. There are opportunities to deliver significant efficiencies in major areas of expenditure but there are limitations in the public sector's current capability to deliver. It is proposed that the vision for the future of procurement across the public sector in Wales is implemented through the following recommendations.

### Principle Recommendations

The recommendations to tackle the issues identified are as follows:

#### Governance

To develop and strengthen clear governance structures, leadership and change management:

1. Leaders and CEOs should mandate recommendations arising from this review, and in particular champion the appropriate use of standard specifications and collaborative arrangements.
2. It is recommended that the Procurement Board remains, but recognises and works with current governance arrangements within sectors to champion implementation of the recommendations.
3. Effective arrangements should be put in place to monitor performance and report on progress on the implementation of the recommendations. It is therefore recommended that WLGA (LAs) and NHS National Delivery Group report progress on a regular basis to the Procurement Board.
4. The Local Authority sector must have reviewed their decision making process and by October 2011 have set up governance arrangements so that decisions can be made on behalf of the entire sector.

## Policy, Process and Technology

To implement standard policy, process and technology approach including the following;

5. The Assembly Government should produce a standard format for common procurement key performance indicators, drawing on best practice by July 2011. Public Sector leaders thereafter should review their performance on at least an annual basis, starting from March 2012.
6. Public sector leaders should invest in developing the capability of the procurement profession to support the future vision of Procurement across the Public Sector. The 'Home-grown Talent' project should support this activity.
7. To improve management information across sectors, it is recommended that there is a move to a standard chart of accounts and standard coding structure with an all Wales reporting capability. It is recommended that the WLGA take this forward with the Welsh Treasurers' Society.
8. Organisations should buy directly from collaborative contracts, via the *xchangewales* e-trading hub.
9. Building on the *Breaking down Barriers project*, it is recommended that:
  - a. LAs and NHS move to standard contract documentation and;
  - b. LAs and NHS should have common standing orders and financial instructions within each sector.
10. Within two years, the flow of information should be transmitted electronically into back office systems, this includes invoices, order and tenders.
11. The work on the single approach to pre-qualification through the Supplier Qualification and Information Database (SQUID) when completed should be mandated.
12. Supplier development activity made available by DE&T and other relevant Assembly Government departments should target resources to provide tailored training and support to the Welsh supply base to reflect and support the resulting public sector procurement workplan.
13. The Assembly Government should require all major<sup>15</sup> contracts and grant funded procurements to deliver a social return on the investment through the adoption of a "Community Benefits"<sup>16</sup> approach.

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<sup>15</sup> Major: Defined as contracts > OJIEU threshold

<sup>16</sup> This approach is described in guidance "Community Benefits – Delivering Maximum value for the Welsh Pound" issued by Welsh Assembly Government March 2010.

14. The Assembly Government should provide a central mechanism to collate best procurement practice and provide organisations with a menu of tried and tested options to deliver local efficiencies and improve outcomes.
15. The Assembly Government should review its processes for issuing grants & capital funding to ensure planned procurement can be undertaken to secure greater value for money.

### **National Procurement Service**

To develop a shared service model for procurement across the Welsh public sector which will address the following:

16. To achieve efficiencies, the public sector needs to identify common and repetitive spend and then buy as one through a shared service.
17. As an indicator between 20-30% of public sector expenditure should be through a shared service. (The areas of spend that should be considered first are Professional Services, ICT, Transport, Building & Engineering Materials, Provisions, Waste, Office Consumables, Street Lighting, Protective Clothing, Cleaning. Further opportunities to be explored include Social and Continuing Care.)
18. The tendering, catalogue and contract management for common and repetitive spend needs to be delegated to one shared service for Wales and all organisations should commit to using these contracts.
19. In the meantime, where existing collaborative contracts are in place, they should be adopted by all, unless a formal exemption is agreed with the contract owner.
20. Establishing a shared service will mean that changes to existing structures will be required and movement of staff may take place. Value Wales should co-ordinate the work to progress this recommendation and develop a detailed proposal.

### **Category Management**

21. A cost reduction programme should be initiated with the top 50 suppliers by contract value to Wales. The process should be coordinated by Value Wales in partnership with sector leads.
22. There should be a planned development of Category procurement expertise for high spend areas which organisations can call upon for advice. As a minimum this should include Construction, Social Care, Consultancy and ICT and should help to inform the delivery and development of national strategies in these areas such as the Digital Strategy for Wales and the work following the White Paper on social care. Value Wales should develop options for how this approach to support Category Management could be delivered in Wales.

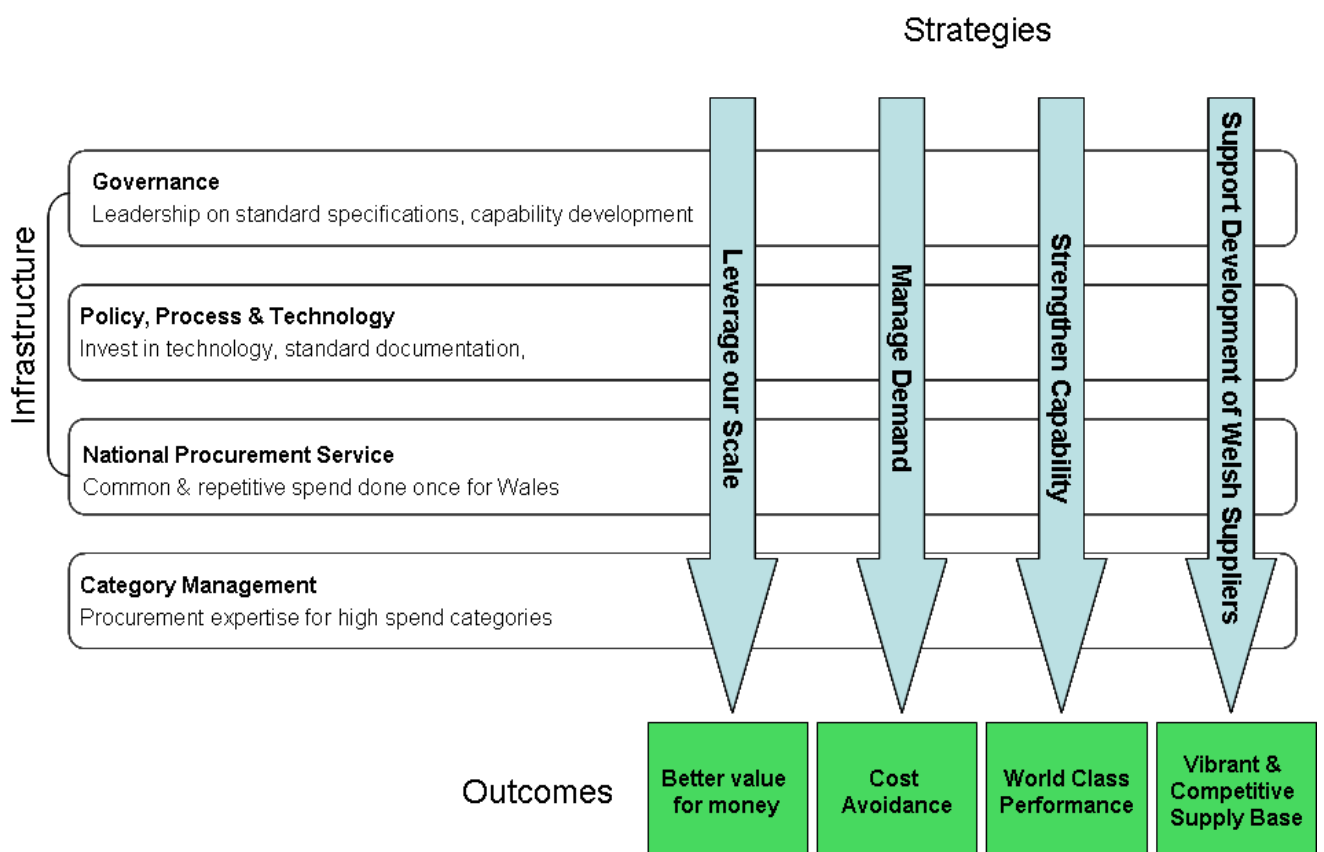
23. Finally, it is recommended that the WAO formally review progress of the implementation of the recommendations and report to the EIB Programme in September 2012.

By generating savings through more efficient processes, less duplication and better supplier performance - citizens will gain where savings are re-invested, and where we use our spend to deliver social and economic benefit. It is possible to save circa to £200m over five years if we can truly work as one public sector in Wales.

**Strategic Direction**

13.3 It is therefore recommended that the following strategies are progressed to realise the vision of public sector procurement across Wales.

Figure 7: Strategic Direction



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**Work Programme**

13.4 A detailed work programme would need to be developed to deliver the vision of the future of Public Sector Procurement. However, some initial thoughts on the shape of the programme are outlined below, which would be explored further on approval of the recommendations:

**1. Governance**

13.5 This workstream could consider the Leadership requirements to mandate the recommendations arising from this review, and in particular champion the appropriate use of standard specifications.

13.6 It could also develop a formal set of indicators which should be reported on a regular basis at Executive level.

13.7 Through the support of the 'Home-grown talent' project, the capability of the procurement profession will be developed and that should help the recommendations in this report to be delivered

**2. Policy, Processes & Technology**

13.8 This area of work could focus on mandating the use of technologies already being progressed across the Public Sector, such as xchangewales and SQuID.

13.9 It could also progress the development of standard documentation and Terms & Conditions.

13.10 Work could also be initiated to introduce procurement approaches that maximise 'Community Benefits' in major contracts and grant funded procurements.

13.11 A central mechanism to collate best practice from across Wales could be developed to provide organisations with a menu of tried and tested options to deliver local efficiencies and improve outcomes.

**3. National Procurement Service**

13.12 A project could be initiated to develop an options appraisal and subsequent business case to support the creation of a shared service for common and repetitive spend. Within this project, consideration would be given to regional and local arrangements.

#### 4. Category Management

- 13.13 A cost reduction programme could be initiated with the top 50 suppliers (by spend) to Wales. The process could be centrally led by Value Wales through a partnership approach across Wales.
- 13.14 An approach to Category Management could be initiated by Value Wales to support the development of procurement expertise for high spend areas which organisations could call upon for advice. This would need to cover Construction, Social Care, Consultancy and ICT and should help to inform the delivery and development of national strategies in these areas such as the Digital Strategy for Wales and the work following the White Paper on social care.
- 13.15 An initial outline work programme is included in appendix 17.2. As Work-stream lead, Value Wales will retain the overall control and coordination of the follow up actions from the report, including identifying the key leads for each of the recommendations. Through this process timescales and savings profiling would be considered.

#### Efficiencies

- 13.16 The Taskforce commissioned Spikes Cavell to facilitate the development of a savings plan. The approach adopted by Spikes Cavell was to focus on the Top 20 categories, broken down into sub categories. Taskforce leads were identified for each high level category, who considered applying themes (as per figure 7) against each category area. These were standardised into four key areas: Leveraging our Scale, Managing our Demand, Strengthening our Capability, Supporting the development of Welsh Supply Chains.
- 13.17 The cost structure of each sub category was reviewed and consideration was given to whether the sector spend was likely to change and the extent to which the approach identified had already been applied by sector – ‘maturity’.

The outcome of applying this methodology is captured in figure 8, overleaf:

E&I Procurement Taskforce  
**Category & Capability Review**

Ymateb i Her Newid

Meeting the  
Challenge of Change

**Figure 8: Potential Savings<sup>17</sup>**

Category	Net Savings 2012-2015
Construction	£58,000,000
Professional Services	£36,000,000
Medical	£20,000,000
Workforce	£11,000,000
Social Care	£7,500,000
Transport	£5,500,000
ICT	£4,000,000
Vehicles	£3,600,000
Insurance	£1,500,000
Equipment	£600,000
Utilities	£300,000
Education Supplies	£200,000
Waste	£10,500
<b>Total</b>	<b>£ 148,210,500</b>

The figures above are indicative of what is possible and are dependant on resources, change management capacity and a commitment and willingness to change.

For example,

**13.18 Construction** - by sharing best practice and driving key efficiencies in major spend categories significant savings can be realised. Procurement can help commissioners to reshape our services by working with the market. It estimated that through combining strategies that around £58m savings could be realised over three years, although measurement of benefits will present a greater challenge.

*For example:*

*Currently, public sector construction project outturn costs are on average, 9%<sup>18</sup> over the agreed contract price. NHS Wales' Designed for Life framework is based on modern, collaborative approaches to procurement. The first project to be delivered under this framework, Ysbyty Aneurin Bevan has been completed on time and under budget. By mandating modern approaches to construction procurement for capital investment projects, including major programmes such as the 21st Century Schools Programme, buildings which are fit for purpose could be delivered to time, quality and cost, eliminating current construction contract overspend.*

**13.19 Professional Services & Workforce** - through the increased use of existing frameworks, reducing specifications, a targeted cost reduction

<sup>17</sup> Source: Spikes Cavell Potential Savings by Category - December 2010

<sup>18</sup> OGC, 2007/08 CSR

programme with key suppliers, better use of consultancy and workforce development and by buying once for Wales via a shared service it is estimated that £47m could be saved over three years.

*For example:*

*According to the OGC toolkit<sup>19</sup>, the commission paid to Agencies can vary significantly from 8% -50%. If an organisation has a contract in place with an agency, the agency's commission can be between 15%–20%, however if there is no contract in place the agency's commission can vary between 25%–30%. The toolkit also indicates that estimates by local authorities have found that commission levels can be successfully reduced to 14%–15% or lower by using a managed service, for all categories of staff – from administrative and clerical to social work.*

- 13.20 **Medical** - work in the NHS to reduce clinical choice, standardise across Wales and work with suppliers to take cost out has generated significant savings.

*For example:*

*Standardisation of Erythropoiesis Stimulating agents has saved £1-£2.5m.*

- 13.21 **Social Care** – by maximising opportunities from existing collaborative contracts, expanding into areas of spend where leverage and competition are not optimised, through using intelligent commissioning to ensure that the right goods and services are being bought and in some instances stop buying goods and services that we do not need - savings in the region of £7m could be achieved over the next three years.

*For example:*

*The South East Wales Improvement Collaborative (SEWIC) has saved over £0.75m through negotiating with the highest spend Independent Foster Agencies (IFAs) for existing packages of care.*

- 13.22 **Transport** – by managing demand and leveraging our scale savings in the region of £5.5M could be delivered over the next three years.

<sup>19</sup> Transforming the Procurement of Temporary, Agency and Interim Staff: Your toolkit for success

*For example:*

*In Neath Port Talbot a review of SEN transport took an alternative approach to seeking to reduce costs and delivering best value for citizens. As opposed to tendering the existing contracts to reduce costs, the review team challenged the original assumptions about the best way of travel. By working with parents and children to understand their needs, the optimum solution was developed. In one case, the best solution was to travel on a bus to build up the child's social skills and develop their independence. By challenging the commissioning decisions and doing the right thing, the full cost of the transport has been saved as there were spare bus seats available.*

- 13.23 **ICT** – by optimising collaborative power, standardising on specifications and developing policies to drive efficiencies, circa £4m could be saved over the next three years.

*For example:*

*Bishop Vaughn Comprehensive School in Swansea ran a mini tender against the ICT framework when their existing lease came to an end. Within three months, the new ICT equipment was installed, saving time and effort for staff and accessing better prices. As a result, the school was able to buy 31 more computers and eight more printers for the same budget as before.*

- 13.24 **Vehicles** – through optimising collaborative power and challenging commissioning decisions around £3.6m of savings could be achieved.

*For example:*

*A comparison exercise was made between the terms available through the All Wales framework with those available against an existing arrangement used by six local authorities. This comparison showed an average saving of 8.2% for each vehicle purchased against the framework. In another exercise, two local authorities undertook a joint procurement for a number of refuse vehicles against the Specialist Vehicles framework, resulting in a saving of over £180,000.*

- 13.25 **Insurance** - By agreeing common specification and reducing specifications, savings in the region of £1.5m could be realised in the next three years.

- 13.26 **Equipment, Utilities, Education Supplies and Waste** – by building on the work already completed, further consideration could be given to

optimising our collaborative power and standardisation on specifications to realise savings in excess of £1.2m over the next three years.

- 13.27 In addition to the savings delivered by category, **by strengthening our current capability** - simplifying our processes and using technology (e.g. xchangewales) we can eliminate waste, realising in excess of £50m through a combination of cashable and non-cashable savings - which could be converted into cashable savings through head count reduction.

*For example:*

*The business case for implementing xchangewales e-trading in Denbighshire identifies benefits in excess of £1.5m over the next five years. This is being achieved through a combination of process efficiencies, facilitation of increased contract use and also the effective use of management information.*

## 14.0 Governance and Performance

### Governance Arrangements

- 14.1 The E&I Procurement Board was established in April 2010 and the first Procurement Board was held on 19<sup>th</sup> May. Its purpose was to drive the development of a new and more radical approach to procurement across Wales through delivery of the Collaborative Procurement and Commissioning programme – working closely with other work-streams and reporting progress up to the Efficiency and Innovation Board.
- 14.2 The Procurement Board is supported by two existing practitioner steering groups made up of Heads of Procurement formally representing the different sectors. One covers the Sourcing Strategy including supply base development, the other Policy and Capability including xchangewales.

The Procurement Board includes the following members:

#### Local Authorities

**Chair** – Dr Mohammed Mehmet (CEO Denbighshire County Council & SOLACE member)

Roger Jones (Carmarthenshire Council and Welsh Treasurer)

**WLGA** – Vanessa Phillips (Director of Resources)

#### Assembly Government –

**Value Wales** – Alison Standfast (Deputy Director of Procurement) & Kerry Wilson (Head of Procurement)

**NHS** – Chris Hurst (Director of Resources DHSS)

**DE&T** – Tracey Burke (Director of Operations)

**DCELLS - Education** – Andrew Clark (FE and HE Policy)

**Public Service Delivery** – John Palmer (Director Public Service Improvement)

**NHS** – Alun Lloyd (Director of Finance, Cardiff and Value University Health Board)

**Project Management** – Value Wales – Catherine Weller, Project Lead

**Secretariat** – Value Wales - Peter Williamson

**Police** – Andrew Bevan (Finance Director Dyfed-Powys Police)

**WAO** – Jeremy Morgan (Performance Project Manager)

Allan Garley (Regional Secretary TUC)

- 14.3 In the last six months the focus of the group has been to support a small task and finish group of procurement leaders. In supporting the work of the Taskforce members were asked to:
- review proposed delivery strategies and ensure these are fit for purpose
  - critically monitor progress
  - personally champion change in their sectors and with peers
  - act to overcome barriers and improve engagement

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- challenge methods of delivery and communication
- actively consult within their sectors and provide honest feedback
- help to ensure programme activities are co-ordinated with local and sector-based initiatives
- review recommendations resulting from Category and Capability review
- ensure that consideration is given at all times to the longer-term impact of delivery strategies on the economy, environment and people of Wales.

### Role of the Board going forward

14.4 It is proposed that the Procurement Board remains, but recognises and works with current governance arrangements within sectors to champion implementation of the recommendations of this report.

### Monitoring Performance

14.5 It is suggest that the following reporting is established to report progress on the overall programme of work - this will need to be reflected once the Board has endorsed the work programme and report. More detailed reporting may be required against specific initiatives – again this will need to be discussed and agreed by the Procurement Board.

	<b>Detail</b>	<b>Latest position</b>	<b>Ambition</b>	<b>Commentary</b>
Workstream: Collaborative Procurement and Commissioning  Chair: Mohammad Mehmet  Lead: Alison Standfast	<i>The Baseline year is 20010/11. Detail here describes the methodology, scope and frequency for reporting against the indicator.</i>	<i>This will describe the latest position against the starting point.</i>	<i>This will be the trajectory the project is aiming for. Some indicators will have a clear ambition, perhaps to achieve a certain number or £, etc. In some cases it will be inappropriate to have a goal, it would be useful to state the reasons why here</i>	<i>This column can be used for exception reporting, either for those indicators which are not yet live, where the data is telling an unexpected story or where there are no relevant indicators.</i>
<b>A. Financial Indicators</b>				
A1. Savings identified from adoption of xchangewales tools	Savings will be reported on a quarterly basis against a standard cost saving for use of	£ was reported in the period x to x. (break out headings) At Jan 2011 7 of 8 LHBs were live	e-trading - For all LHBs and xx Las and xx schools to be live by xx – delivering	Pembrokeshire and Ynys Mon have stated that they will not pursue e-trading hub at this time.

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	e-trading hub (e-invoicing and e-ordering); e-tendering and purchase cards; and e-auctions.	along with 9 LAs and xx schools and WAG.	critical mass.	xx of xx LA business cases were completed by Sept 2010, xx are outstanding.
A2. Savings identified from 'leveraging our spend' strategy	Savings will be reported against the %change in price as a result of activity (multiplied by estimated spend) for the agreed period. The work of Value Wales, WHS, WPC, NWPP, and others will be in scope.	Value Wales reported savings of xxx over 5 years as a result of all-Wales collaborative deals. All savings will now be baselined to 2010/11.	To identify and realise - £50m from Value Wales led projects over 5 years; - £23.8m from NHS 5 year plan - £17m from WPC and NWPP plans over 5 years	As well as finding new savings areas all organisations have to also maintain current deals to protect savings already realised.
A3. Savings identified from 5 priority projects (a subset of A2)	Savings from the 5 Workstream priority projects will be broken out to give greater visibility.	These have not yet been agreed.		
A4. Savings identified from the ESF Homegrown Talent Project (a subset of A2)	Savings identified as a result of the Homegrown Talent placements will be broken out to give greater visibility)	This will commence from October 2011		
<b>B. Non-financial indicators</b>				
B1. Volume of electronic transactions	This supports delivery of A1 and will demonstrate depth of adoption and will cover e-orders and e-invoices and use of purchase card.	From x to x it was xx e-orders/invoices xx purchase cards xx	Ambition in 5 years for 100% of tenders and 70% of invoices to be electronic.	

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B2.Average % of organisations using identified collaborative contracts	Initially this will cover adoption rates of Value Wales agreements but can be extended. It supports delivery of A2.	Currently 70% of organisations use each VW agreement.	100% either adopted or justified	xx justification %
B3.Number and percentage of organisations adopting SQuID approach (and e-tool when live)	Adoption of this will benefit Welsh SMEs and take cost out of tender process for suppliers	Measure from April 2011		
B4. Value of projects adopting Community Benefits approach and number of resulting jobs	Community Benefits covers a range of wider benefits including local supply chains, opportunities for unemployed, supported businesses etc.	Measure from April 2011		
<b>C. Qualitative information</b>				
<i>Qualitative information, by its nature, will not necessarily fall into the headings above. Hence this should be free text, but ideally it should still cover success factors, time periods, coverage, etc.</i>				
C1. This will provide case study examples of smarter procurement delivered at individual organisations in line with central guidance and best practice.				

## 15.0 Risks & Dependencies

### Risks

1. Lack of mandate/ profile – the changes in corporate behaviour required cannot be delivered through procurement officers – will require CEO commitment
2. Independence of Local Authorities – impossible to take decisions as a sector (in the way NHS can) – leading to delays and cost – will require active SOLACE role
3. Lack of funding for change management and project delivery – mitigated through ESF bid and Assembly Government programme fund allocation
4. Fragmentation of spend – over 100 different organisations, 67,500 suppliers – difficult to influence – adjust strategy accordingly
5. Tensions between collaborative procurement and economic development objectives (SMEs, Social Enterprises/3<sup>rd</sup> Sector) – use Supplier Reference Panel to link E&I and ERP
6. Timeframe – need for quick action, public sector change slow – use EIB focus and Chair personal intervention to accelerate
7. Differences in culture NHS / LA – adjust strategy accordingly
8. Big differences in procurement capability (skills, resources, P2P) across organisations – adjust strategy accordingly

### Dependencies

1. Interdependencies exist between all of the workstreams of the E&I Programme, for example, ICT procurement is a part of both this programme and the ICT programme – both must be aligned.
2. ERP (Economic Renewal – a new direction) – support expected to run SRP and address supply voids
3. NHS shared service developments influence one part of the potential strategy
5. ESF project should provide part of resource solution
6. Continued funding of xchangewales and VW assumed

## 16.0 Acknowledgements

The Taskforce would like to acknowledge the support and contribution of the following in helping to pull together elements of the category and capability review:

**Paul Ashley-Jones** - Head of Procurement, Pembrokeshire Council  
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**Tracey Burke** - Deputy Director of Operations Department for the Economy & Transport  
**Colin Eaketts** - Head of Integrated Transport,, Head of Transport and Strategic Regeneration Programme, DE&T the Assembly Government  
**Mark Gwilym** - Lead Project Manager, Value Wales  
**Dr Sue Hurell** - Value Wales  
**Gunther Kostyra** - Head of Programme Sustainable Procurement Policy  
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**Shereen Lisk** - Senior Project Manager, Value Wales  
**Sue Lloyd-Selby**, Senior Project Manager, Value Wales  
**Andrew Maisey** - Head of Procurement (Torfaen CBC)  
**Mike Melville** - xchangewales Programme Manager  
**Gareth Morgan** - Head of Transport and Strategic Regeneration Programme, DE&T Assembly Government  
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**Dr Andy Rees** - Head of Waste Strategy Branch  
**Claire Russell** - NQ Consulting  
**Paul Skellon** - xchangewales Wales Programme Director  
**Nicola Southall** - Lead Project Manager, Value Wales  
**Nick Sullivan** - (then Head of Construction Policy); now Head of Policy and Capability Value Wales  
**Dr Gwyn Thomas** - (Chief Information Officer, the Assembly Government). Director of Informing Health & Social Care Health & Social Services DG, Information Services Division

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### 17.0 Appendices

#### 17.1 Example Reporting from NHS

Open Workbook from Database

Choose a target worksheet by browsing available workbooks and selecting a worksheet

View: Database Workbooks  Name contains:

Workbooks:

Name	Owner	Modified
AMA WHS OM Consolidated Stores Usage	WHS_FLETCH...	25-Aug-2009 09:01
DB PSL AP Invoices on Hold Weekly Check	WHS_BALLD	02-Aug-2010 14:25
DB SID Report (Multi Entry)	WHS_BALLD	13-Sep-2010 10:19
DB Value for All - Supplier Data	AMA_BALLD	04-Aug-2010 15:18
DB Value for All - Supplier Data	WHS_BALLD	04-Aug-2010 15:11
DB Value for All - Supplier Data 2	WHS_BALLD	04-Aug-2010 15:30
Dec Procurement Influence Figures	AMA_CHISAS...	04-Jan-2011 11:37
November Procurement Influence Figures	AMA_CHISAS...	06-Dec-2010 09:58
OCT PO All OrderTypes(general listing) Hol...	WHS_BALLD	02-Aug-2010 13:36
PO All OrderTypes (General Listing) WHS	WHS_BALLD	15-Jun-2010 12:29
PO All OrderTypes (General Listing) WHS v2	WHS_BALLD	07-Dec-2010 10:07
PSL All Wales EUL Definition	PSLDISCOAD...	29-May-2008 19:47
PSL All Wales Folder and Item Details	PSLDISCOAD...	18-Apr-2007 18:51
PSL All Wales Folders in Business Areas	PSLDISCOAD...	18-Apr-2007 18:51
PSL All Wales User Access	PSLDISCOAD...	18-Apr-2007 18:52
PSL AP Capital Year End Cash	PSLDISCOAD...	06-Aug-2008 16:56
PSL AP CBI Prompt Payment	PSLDISCOAD...	05-Jun-2008 10:21
PSL AP Duplicate Invoice Check	PSLDISCOAD...	18-Apr-2007 18:52
PSL AP Invoice Leakage	PSLDISCOAD...	18-Apr-2007 18:51
PSL AP Invoices on Hold Weekly Check	PSLDISCOAD...	03-Jun-2008 12:58
PSL AP Prompt Payment Cumulative	PSLDISCOAD...	02-Jun-2008 13:40
PSL AP Supplier and Bank Account Set-up	PSLDISCOAD...	18-Apr-2007 18:51
PSL AP Supplier Details	PSLDISCOAD...	19-Nov-2007 11:17
PSL AP Transaction Audit Trail	PSLDISCOAD...	03-Jul-2008 18:14
PSL AP Trial Balance Outstanding Invoices	PSLDISCOAD...	09-Jun-2008 09:53
PSL AR Aged Debt Analysis	PSLDISCOAD...	19-Nov-2007 11:17
PSL AR Aging 7 Buckets Report	PSLDISCOAD...	19-Nov-2007 11:17
PSL AR Cash Management	PSLDISCOAD...	18-Apr-2007 18:51
PSL AR Outstanding Invoice Details by Acc...	PSLDISCOAD...	18-Apr-2007 18:52
PSL AR Progress Report on Dunning Proce...	PSLDISCOAD...	18-Apr-2007 18:51
PSL Developed Reports	PSLDISCOAD...	18-Apr-2007 18:51

**Appendix I**

E&I Procurement Taskforce  
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Sample Purchase Order Report Screen Shot - Windows Picture and Fax Viewer

Supplier Item 2	Supplier Item	Item	Item Description	UOM	Supplier	Trust Name	Deliver to Location Code	Quantity Ordered	line value	Unit Price	Quantity Billed	Am Billed
Orders as of PO Start Date : '01-DEC-2009' , PO End Date : '01-DEC-2010' , Supplier : ZDUP VERNONCARUS LTD, ZDUP												
01742	01742	NULL	THEATRE TRAY LINERS	BOX	VERNON CARUS LTD	Hywel Dda NHS Trust	231644 PPH HSDU	2	85.30	42.65	2	£
01756	01756	NULL	Gauze/Cotton Tissue Medium Quality 45cm x 30cm	BOX150	VERNON CARUS LTD	Conwy and Denbighshire	111885 YGC HSDU	2	174.32	87.16	2	£1
03696	03696	NULL	GAUZE ROLL, X RAY DETECTABLE BP STITCHED AND TAPED DETEX 182X11CM, 8 PLY	PACK144	VERNON CARUS LTD	Betsi Cadwaladr University LHB	410260 YG CSSD	2	212.10	106.05	0	
20759	20759	NULL	POLY BOWL	BOX	VERNON CARUS LTD	Hywel Dda NHS Trust	231414 MAIN STORES (for PPH Theatre)	4	53.84	13.46	4	£
21312	21312	NULL	RIBBON GAUZE 1.25CM	BOX48	VERNON CARUS LTD	Betsi Cadwaladr University LHB	125157 Th YMW	1	28.47	28.47	0	
21313	21313	NULL	X-RAY DETECTABLE RIBBON GAUZE 25MMx2M	BOX30	VERNON CARUS LTD	Betsi Cadwaladr University LHB	125315 ENT Th YMW	1	8.93	8.93	0	
21338	21338	NULL	1/2 INCH (1.25CM) RIBBON GAUZE REF 21338	PACK60	VERNON CARUS LTD	Abertawe Bro Morgannwg University NHS Trust	824270 MORR - ECG	12	239.28	19.94	0	
21592	21592	NULL	GAUZE AND COTTON TISSUE PAD 21592	BOX120	VERNON CARUS LTD	Hywel Dda NHS Trust	219046 BG Gwenllian	2	144.98	72.49	0	
21592	21592	NULL	GAUZE AND COTTON TISSUE PAD 21592	BOX120	VERNON CARUS LTD	Hywel Dda NHS Trust	219046 BG Gwenllian	1	72.49	72.49	1	£
21592	21592	NULL	GAUZE AND COTTON TISSUE PAD 21592	BOX120	VERNON CARUS LTD	Hywel Dda NHS Trust	219046 BG Gwenllian	2	144.98	72.49	2	£1
21951	21951	NULL	XRAY DETECTABLE 16 PLY SWAB	BOX96	VERNON CARUS LTD	Betsi Cadwaladr University LHB	125315 ENT Th YMW	1	158.62	158.62	0	
22315	22315	NULL	7CM HAFTAN	BOX6	VERNON CARUS LTD	Betsi Cadwaladr University LHB	110010 YGC ORTH PLAS	4	115.88	28.97	0	
22316	22316	NULL	10CM HAFTAN	BOX6	VERNON CARUS LTD	Betsi Cadwaladr University LHB	110010 YGC ORTH PLAS	4	138.16	34.54	0	

## 17.2 Potential Work Programme

Some initial thoughts on the shape of the programme are outlined below, which would be explored further on approval of the recommendations:

### 17.2.1 Policy, Process & Technology

Project	Endorsed by	Lead by	Delivery Resource
Xchangewales trading hub mandated	<ul style="list-style-type: none"> <li>▪ Procurement</li> <li>▪ E&amp;I Programme</li> <li>▪ SOLACE</li> <li>▪ NHS Executive</li> <li>▪ WAG?</li> </ul>		
SQuID Mandated	<ul style="list-style-type: none"> <li>▪ Procurement</li> <li>▪ E&amp;I Programme</li> <li>▪ SOLACE</li> <li>▪ NHS Executive</li> <li>▪ WAG?</li> </ul>		
Standard documentation, including standing orders and standing financial instructions/regulations	<ul style="list-style-type: none"> <li>▪ Procurement</li> <li>▪ E&amp;I Programme</li> <li>▪ SOLACE</li> <li>▪ NHS Executive</li> <li>▪ WAG?</li> </ul>		
Community Benefits should be mandated for major contracts and grant funded procurements	<ul style="list-style-type: none"> <li>▪ Procurement</li> <li>▪ E&amp;I Programme</li> <li>▪ SOLACE</li> <li>▪ NHS Executive</li> <li>▪ WAG?</li> </ul>		
Develop mechanism to share best practice ideas	<ul style="list-style-type: none"> <li>▪ Procurement</li> <li>▪ E&amp;I Programme</li> <li>▪ SOLACE</li> <li>▪ NHS Executive</li> <li>▪ WAG?</li> </ul>		

### 17.2.2 National Procurement Service

Project	Endorsed by	Lead by	Delivery Resource
National Procurement Project Commissioned	<ul style="list-style-type: none"> <li>▪ Procurement</li> <li>▪ E&amp;I Programme</li> <li>▪ SOLACE</li> <li>▪ NHS Executive</li> <li>▪ WAG?</li> </ul>		

## 17.2.3 Category Management

Project	Endorsed by	Lead by	Delivery Resource
Initiate a targeted supplier cost reduction programme	<ul style="list-style-type: none"> <li>▪ Procurement</li> <li>▪ E&amp;I Programme</li> <li>▪ SOLACE</li> <li>▪ NHS Executive</li> <li>▪ WAG?</li> </ul>		
Initiate a Consultancy Project	<ul style="list-style-type: none"> <li>▪ Procurement</li> <li>▪ E&amp;I Programme</li> <li>▪ SOLACE</li> <li>▪ NHS Executive</li> <li>▪ WAG?</li> </ul>		
Social Care- support white paper implementation	<ul style="list-style-type: none"> <li>▪ Procurement</li> <li>▪ E&amp;I Programme</li> <li>▪ SOLACE</li> <li>▪ NHS Executive</li> <li>▪ WAG?</li> </ul>		
IT hardware & software to support ICT strategy	<ul style="list-style-type: none"> <li>▪ Procurement</li> <li>▪ E&amp;I Programme</li> <li>▪ SOLACE</li> <li>▪ NHS Executive</li> <li>▪ WAG?</li> </ul>		